

Submission to the Independent Review on Aid Effectiveness

Cardno is pleased to offer our contribution to the *Independent Review on Aid Effectiveness*. Below is a summary of key observations against the Review Terms of Reference drawn from Cardno's global experience working in development. We welcome the opportunity to provide further detail of programs to illustrate these issues, if required. This submission complements our earlier submission on *Technical Assistance, Advisory Personnel and Effective Alternatives – Some Policy and Operational Observations*.

Australia is taking a greater lead in the global development context. This is particularly true in Asia and the Pacific where Australia's experience and approach to working with fragile states is world class. Similarly, Australia plays a clear leadership role in other countries such as Indonesia, Timor-Leste and the Philippines. As a nation, we have much to offer in terms of development analysis and experience, and should be justifiably proud of our contributions to development in the region.

With Australia committed to doubling aid in the next five years, it is an opportune time to reflect on our priorities, effectiveness and impact, and consider how to effectively and efficiently scale-up. The Australian Government has been planning the future and scale-up of the aid program, including reiterating its commitment to increase aid flows. This has met with surprising levels of criticism of the measured increase in volume and changes in program direction. The challenges are not to be underestimated, and great care must be taken to ensure effectiveness and transparency are not sacrificed. Aid by its very nature is a high risk exercise, and needs strong political and public support to embrace these risks during times of budgetary pressure. A successful Australian aid program should be characterised by: clear focus and objectives; transparency and accountability; appropriate and flexible delivery mechanisms; long horizons for engagement resulting in long-term outcomes; robust institutional structures to administer the program; and, systems for sharing lessons and developing evidence-based policies.

Importantly, *the Australian aid program needs to engage the Australian public* to a greater extent on what the aid program does and on what Australia's development priorities are. The Australian taxpayer expects to be able to identify where our money is going, on what it is being spent, and what results from our contributions.

Program Objective and Focus

The objective of the Australian aid program needs to be clarified. As many of the submissions to this Review attest, perceptions of the goal and purpose of the Australian aid program are many and varied. The current government has renewed the focus on poverty reduction and Millennium Development Goals, and this is to be supported. How initiatives align however, is not always certain and the contribution to achieving overarching objectives is often unclear. While the link between development, diplomatic relationships, trade and investment have been part of the aid program for some time, these multiple objectives have not been explicitly and publically unpacked, the benefits illustrated, nor the focus broadly explained. Cardno believes greater clarity around Australia's aid objectives would be achieved by removing reference to the national interest. Stable and prosperous countries in the Asia Pacific region are obviously in the interests of those countries themselves and their neighbours. Specific reference to national interest implies incorrectly that the motivating factor for aid is narrowly for the benefit of Australia.

The purpose of Australia's aid program must be clearly articulated to the Australian public. Reducing poverty and its impacts should remain a focus, but AusAID must be more explicit in the paths it will take to do so. The links between individual country programs, interventions and activities, and the overarching program goals should be revisited and regularly reviewed to ensure clear lines of contribution. Public diplomacy is required to promote the objectives, mechanisms, and approaches of the aid program, with clear stories of outcomes and outputs which are both qualitative and quantitative, timely and publically available. *Australia must ensure public support and confidence in the aid program continues to grow* considering the increasing aid budget and inherent risks associated with it. Much can be learned from the successful public coalitions in support of aid flows which have developed in Europe and the US, and which extend beyond taxpayer monies to alliances with philanthropic organisations and the private sector.

Geographic and Sectoral Focus

The focus of the Australian aid program is too broad. There is an attempt to make a substantial impact across five or six sectors in any one country, limiting effectiveness and impact, and spreading AusAID investment and resources too thin. We believe *there is benefit in AusAID taking the lead in a smaller number of sectors within a country and within a defined geographic area;* should there be a need to provide any additional sectoral support it may be done via other partners, such as other donors or agencies (for example, UNICEF) or NGO programs which have an established reputation and local presence.

Focussing on fewer sectors per country will enable AusAID to take more calculated risks and encourage innovation. There is potential for greater impact to be derived from country strategies with long-term horizons of 5-10 years where each initiative, at whatever size, would link directly to the longer-term stated country program objectives and national strategies in that sector. The focus should be on long term sustainable solutions and partnerships, and demonstrate a development continuum directly linked to long-term support. Targeted, long-term assistance will ensure country programs are not distracted or over committed across too many areas. This may result in fewer, larger programs in particular countries, but will also provide opportunities for the aid program to auspice the full range of interventions within a coordinated and targeted framework. For example, initiatives which encourage partnerships between bilateral programs, whole of government initiatives, UN agency interventions, and broad NGO programming allow greater leverage of fund flows for greater results, long-term engagement and, ultimately, improved effectiveness. To some extent, this is encouraged in programs which include grants programs. For example, programs which support civil society to work with international NGOs as part of broader bilateral interventions, such as in the PNG Electoral Support Program Phase 2 or the Australia Nusa Tenggara Assistance for Regional Autonomy program.

It is appropriate Australia's development commitment focus on countries within our region, primarily PNG, the Pacific and Asia. *Long-term development support in the region provides the opportunity for AusAID to consolidate decades of engagement, and complement other regional donors.* There is undeniable need in Africa for development support and Australia is well placed to contribute to reducing the impacts of poverty throughout the continent. Australia can use our role for both strategic and development purposes.

There are a number of different avenues available to AusAID, including: funding projects and programs; providing support and funds to other bilateral agencies such as DfID; providing support and funds to multilateral organisations; and increased support for local and international NGOs. In PNG and various countries in Africa, the private sector implements substantial development programs which are entirely self-funded. These are delivered either directly through the companies, local community organisations, or via a series of initiatives with contractors, education institutions, and NGOs. AusAID could partner with these to provide greater reach and leverage, learn lessons from new and innovative approaches, and avoid duplication of aid funds. Cardno has had positive

engagement with the Australian and other aid programs, and has long-term global experience in development. However, this wealth of knowledge, experience and information is not effectively drawn upon for policy formulation by the Australian aid program.

AusAID sectoral focus should be based around a five to ten year timeframe, align with partner government and community needs, and be based around areas of Australia's comparative advantage. Sectors and approaches must be differentiated according to the implementing environment. The sectors of focus for low income countries centre on lifting people out of poverty and link to the MDGs, such as basic services, health, education, rural development, food security, and basic infrastructure. For middle income countries, focus may move to providing the right conditions for economic growth, addressing systemic and structural barriers to development and democratic change, and focusing on continued support for those communities who have been left behind.

Distribution Channels and Mechanisms

AusAID currently uses a number of different forms of aid in order to deliver effective assistance in a complex region of both fragile states and more dynamic middle income countries. These range from direct budget support, multilaterals, sectoral program support as well as projects, facilities and SWAps. This variety is beneficial in terms of delivering more effective aid in the region. There can be no one-size-fits-all and we consider AusAID's approach (and that of other government departments) to be sensible and practical.

Aid is inherently varied, risky and challenging. *It is important the aid program ensure programs are designed, delivered and evaluated via the full range of partners working in development.* Consulting companies, NGOs, research institutes and whole of government agencies all have a role to play, and should be encouraged to work together more closely. Relying too heavily on any one of these undermines the transparency and effectiveness of the aid program. Reports of the percentage fund flows to each of these partners vary depending on the source, highlighting the need for greater transparency in reporting aid funds flows to ensure realistic figures are publically available.

In order for AusAID to scale-up, all these partners need to be involved in delivering long-term sustainable solutions. Initiatives could include *opportunities for collaboration and greater complementarity*, for example, programs which combine operational research with traditional interventions, policy development drawn from community-based initiatives, or strengthening the capacity of local civil society organisations to provide long-term sustainable development outcomes in their own communities. AusAID's Australia Nusa Tenggara Assistance for Regional Autonomy aimed to reduce poverty through initiatives delivered via a responsive facility designed to test what works locally and replicate successes. The range of initiatives were generated locally and implemented in partnership with local and international NGOs; the program facilitated and coordinated resources to support AusAID's strategic objectives and ensured delivery occurred in ways which coordinated with other NGOs, donors and agencies active in the area. In fragile states, this can extend to programs focussed on stabilisation and mitigation of the causes of conflict. For example, the USAID-funded Stability, Peace and Reconciliation Program in Northern Uganda includes grant funded activities aimed at peace building, economic security, and social inclusion. Both of these programs, while working in different contexts, accommodate a variety of delivery mechanisms and implementing partners by working with government, communities and civil society partners to implement a range of small to medium sized initiatives under a coordinated framework.

One avenue for increasing development expenditure is to channel funding through multilaterals. This approach has been used with mixed success. Directing funds in this way is highly administrative, and requires caution in terms of risk and transparency. Care needs to be taken to ensure programs are aligned with Australian aid program objectives, and implementation is effective, efficient and represents value for money. The possibilities open for AusAID to assess these criteria under multilateral models is unclear.

Australia needs to ensure initiatives it supports are transparent, auditable, accountable and appropriately branded as Australian.

The Australian development program extends beyond AusAID and incorporates several federal and state government bodies. Under a stronger whole of government response, many departments have a role to play in supporting AusAID to reduce poverty. However, *AusAID should play a greater role in ensuring longer term sustainable development is achieved by other agencies' development efforts*, which both recognises AusAID's particular area of expertise and ensures greater consistency across whole of government initiatives. Greater inter-agency coordination and the opportunity for the Office of Development Effectiveness (ODE) to assess whole of government responses should be encouraged.

Program Performance and Lessons Learned from Australia's Approach to Aid Effectiveness

AusAID has strengthened its approach to aid effectiveness. The ODE has been a positive step in improving how well the Australian aid program performs. We suggest however, *the ODE becomes truly independent of AusAID and extends its brief to reviewing whole of government interventions to ensure consistent and effective development approaches in all taxpayer funded development*. The Steering Committee should comprise not only other government departments, but representatives of civil society – from development contractors, NGOs and research institutes. More funds should be directed into reviewing the effectiveness of various program approaches and how they more effectively transfer their lessons learned to others. Although there has been broad detailed research into the effectiveness of the broader program and of individual initiatives, greater focus needs to be taken to *ensure the lessons and findings are incorporated into the program, are made public, and reflect the full range of partners*. For example, NGOs are significant partners in the Australian aid program but their activities often remain outside the ODE assessment and evaluation parameters. Ensuring these programs are included in assessments of effectiveness will not only increase the transparency of aid flows, but will also fully publicise the impact and outcome of aid funds, highlight the important contribution of NGOs, and ensure successful models and tools are identified and extended.

Technical Assistance

The use of technical assistance has been actively debated over recent months. Analysis of AusAID-funded Cardno programs indicates broadly that in fragile states there is a direct linkage between program effectiveness and a lower proportion of adviser costs to goods and services provided within a project. In middle income countries and rapidly growing emerging market economies this correlation does not exist and some projects with relatively high advisory costs have proved very effective. It is important *designers and implementers have practical guidance on how to maximise opportunities for effective advisor support and use the full range of implementation options* open to them. These approaches must be based on evidence of effectiveness substantiated by real data. Large parts of the donor community are critical of the use of Western consultants. While the evidence suggests their effectiveness is mixed, in many circumstances they have proved very effective. There are, however, legitimate concerns around the costs of technical assistance and adviser salaries. *Benchmarking, standardisation, strategies for acknowledging experience and location, alternate advisory support*, and other strategies for addressing these concerns are currently under consideration by the TA Review.

Organisational Structure

The Australian Government is committed to scaling up the aid program. The *organisational structure needs to be linked to how AusAID scales up*. This Review will yield recommendations relating to the future path of the program, and the organisational structure should respond accordingly. However, given the increasing scale of the program it may be prudent in the short-term to support the reappointment of Parliamentary Secretaries for Development to address the increasing demands for accountability and parliamentary attention.

There needs to be *greater coordination between the policy work undertaken in Canberra and the field work undertaken in country*. Posts have high operating costs, however, and it would be appropriate for AusAID to review alternative approaches to providing the same level and quality of support without the high financial and administrative burden. DfID is currently reviewing how their structure will develop in response to an increase in aid funds and a commitment to decrease administrative costs by 30%. There may be lessons from this process and opportunities to leverage other donor funds, similar to AusAID and USAID cooperative opportunities in Indonesia, to effectively partner, reduce administrative costs, and extend impact.

Transparency and Accountability

In our experience, the integrity of AusAID's tendering process is the cleanest in the world and other donors view Australia's procurement guidelines as best practice. The current *Review of Procurements and Agreements Processes in AusAID* is designed to *ensure procurement procedures complement and contribute to the broader agendas of effectiveness and accountability, and encourage innovation, reflective implementation and value for money*.

AusAID has increased its focus on risk by expanding the role and size of the Audit Committee, including the recent appointment of an independent Chair. It is appropriate this Committee regularly reviews and recommends improvements to management systems and business processes, and provides information in response to community and industry concerns about aid flows and transparency.

There rightly exists a great deal of accountability within development contractors around effectiveness and accountability. The tender process and subsequent contract and management structures demand development contractors strictly adhere to Australian Government policies around transparency and accountability, yet many of these criteria for assessment and audit do not appear to be well known to the public. These include very clear guidelines and accountabilities with regular reporting, external and independent audit (financial, systems, quality and outcome), and close monitoring by AusAID. We recommend these *transparency and accountability measures extend to all partners working across the aid program to ensure consistency* and satisfy taxpayer expectations of appropriate monitoring of the use of funds and a commitment to program outcome and purpose. This could be complemented by other initiatives aimed at transparency and public communications, including the availability of reports and reviews of aid-supported activities and budget flows. The US Government has launched a new website (www.foreignassistance.gov) which includes information about where and how funds flow in foreign assistance. AusAID could provide similar information and use the range of systems, databases, websites and social media important to keep the spotlight on clear key messages and information on the aid program.