

# INDEPENDENT REVIEW OF AID EFFECTIVENESS

*Comments provided by  
Effective Development Group*



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# 1. PROVIDING APPROPRIATE AID

While the criteria of effectiveness and efficiency are of course critical, we believe the Independent Review of Aid Effectiveness should focus first and foremost on the relevance of Australia's Aid program. It should look at the appropriateness of the Aid program in the context of current foreign policy and global challenges. Based on lessons learned from the past, the review should propose bold yet sensitive and meaningful strategies that will strengthen public support and form a foundation for future effective and sustainable outcomes.

## *1.1 Developing a System of Objectives and Priorities for the Aid Program*

The absence of a clear set of objectives for the Aid program is a major impediment to its success. There can be no measure of effectiveness and/or efficiency without explicit objectives: how can we assess the level of achievement against objectives without their explicit definition?

The current objective of the Aid program would appear to be spending AUD 8 billion by 2015. Such an objective will certainly lead to questions of legitimacy in Australia and ineffective development outcomes overseas. The guidance given by the former White Paper needs to be replaced by a new set of coherent and explicit objectives and priorities. There also needs to be a clear and articulated system that links the objectives and priorities of the high-level strategy to those of interventions on the ground. This system needs to be consistent agency-wide and flexible enough to be reviewed regularly given the dynamic environment in which the agency operates.

## *1.2 Decoupling Aid and Development*

The absence of a clear set of objectives for the Aid Program other than poverty reduction and sustainable development is further problematic since it leads us to:

- assume Aid is appropriate for development,
- overlook the role of other public policies and interventions on development,
- assume coherence of Government of Australia's public policies, i.e. they pursue consistent objectives with complementary efforts.

One could argue that in practice

- Aid is only a minor contributor to development and poverty reduction,
- Other domestic public policies (immigration, industrial, agriculture, climate change, etc.) have a greater yet un-assumed impact on development overseas, and
- the foreign implications of domestic public policies are diffuse at best, contradictory in some cases. This calls for a better recognition of other public policies that have greater impact on development and therefore for greater coherence between these public policies.

While we believe the Aid Program should aim at contributing to development and poverty reduction efforts overseas, we need to recognise its limited capacity to yield results - and even sometimes its potential counterproductive effect over the longer term - given the sheer complexity of the dynamics at play and the many factors/actors that contribute to them.

Criticisms against the exportation of economic, social, and cultural values, norms and behaviours to contexts where they are neither needed nor appropriate are sometimes justified. In many cases Aid



brings positive short-term impacts but prevents the development of the necessary conditions for long-term benefits.

This highlights the need to question and perhaps redefine the fundamental objectives of Aid. Decoupling Aid and development and re-inventing a modern rationale for Aid in ways that allow communities and countries to take full responsibility for their own development yet recognising the role that OECD countries should play in advancing the global prosperity agenda would be an innovative and appropriate way forward.

### **1.3 Redefining the Objectives of Aid**

Aid programs worldwide have traditionally reflected the historical and geopolitical context. The period from the early 1960s to the early 1990s was the era of decolonisation and the Cold War. At the beginning of this period, Aid programs worldwide served to protect the interests of the old colonial powers, and to progressively reinforce the political alliances between the assisted regimes and the then so called Free World. In this context the relevance of development Aid became strategically obvious and its effectiveness was measured in geopolitical terms. The collapse of the Soviet bloc called much of this system into question. The geopolitical stake represented by the poor countries was substantially reduced and the flow of Aid might have dried up. The risk of that happening was all the greater insofar as, when the question about the effectiveness of development assistance was asked, the conclusions of the first studies were devastating<sup>1</sup>. It became urgent to shed more light on how useful development Aid was.

With the end of the cold war, the necessity of interventions taking place in a more coherent policy framework, based on more systematic analysis, emerged. In parallel, the policy statements of major donors were sharpened and the coordination between them improved. Values such as democracy, human rights, the environment and equality of opportunity were more clearly affirmed as values which international Aid should aim to promote. Poverty reduction became the explicit overall objective of Aid. At the end of 2001, the “war against terrorism” brought abruptly, even if not completely, new imperatives. Geopolitical considerations regained the upper hand and were again more influential in decisions on allocation of Aid resources. Aid programs have since mixed poverty reduction and support to fragile states at the core of their *raison-d’être*.

Today, given the current global challenges and a new foreign policy context where diplomacy, development and defence are increasingly integrated to promote national interest in a globalised world, we believe it is pertinent to re-focus the objectives of Aid on the preservation of global public goods. In such an approach, poverty reduction, unless defined and chosen as a prioritised global public good, would become a by-product of the Aid program, which would aim to establish favourable conditions to facilitate endogenous development processes.

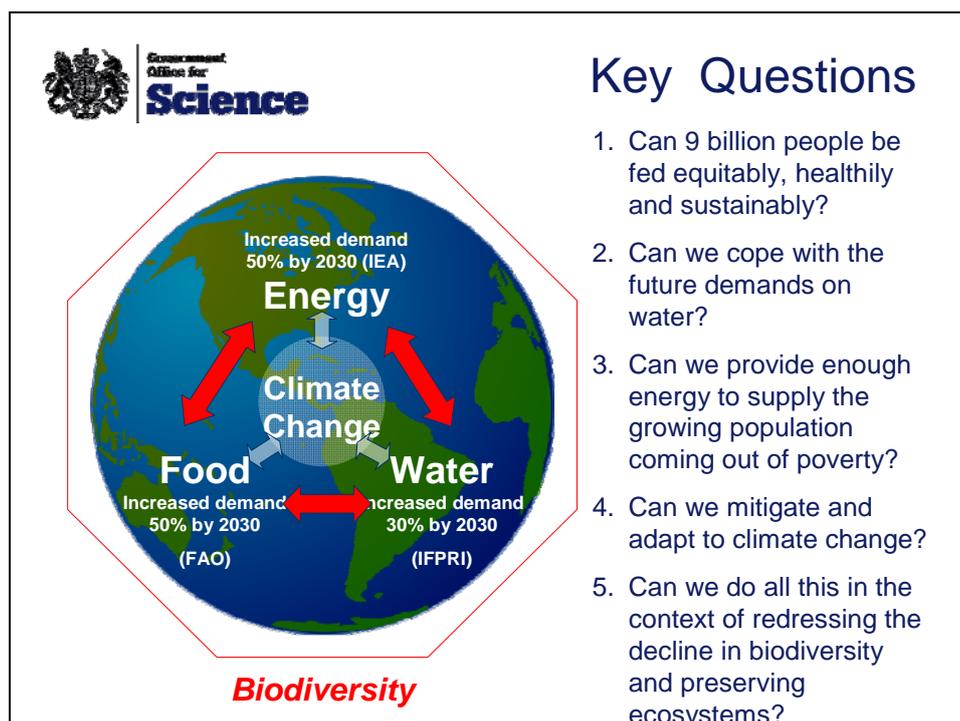
As an example, Prof. John Beddington, Chief Scientific Adviser to the UK Government and Head of its Government Office for Science, distinguishes five key global challenges facing humanity between now and 2030 in a context of a growing global population and increasing human footprint on the environment: producing clean energy, accessing clean water, adapting to a changing climate, ensuring food security, and preserving biodiversity and ecosystems. These challenges are illustrated in the figure below<sup>2</sup> and are defined as global public goods.

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<sup>1</sup> On this subject refer to various studies undertaken since 1995 and synthesised by Dollar and Pritchett (1998).

<sup>2</sup> Source: <http://www.oxfamblogs.org/fp2p/wp-content/uploads/Beddington-slide-300x226.png>

Fig 1 – Examples of global public goods (Prof. J. Beddington)



These goods are by definition areas of mutual interest and we believe countries and communities who have access to resources and knowledge need to take responsibility to avoid a global “tragedy of the commons”. The Aid program offers a unique vehicle to assume this responsibility, providing genuine support to foreign governments and communities less fortunate, while promoting domestic interests in a “do-not-harm” fashion.

We suggest the Australian Aid program redefines its overriding set of objectives placing the preservation of global public goods in foreign communities and countries at its core. The nature of what public goods to preserve, as well as which partner countries and communities to support should be decided on the basis of three factors:

- partners interests (e.g. local political, social and economic priorities),
- Australian national interest (i.e. public goods whose absence may have the highest potential negative impact on Australia and its people should be favoured) and
- comparative advantage for Australian support (e.g. efficiency of delivery, critical mass of change, presence of other donors, absorbing capacity of beneficiaries).

## 1.4 Conclusions

- The Aid program should be driven by a clear system of objectives and priorities;
- The impact of other domestic policies on development should be recognised and reviewed;
- The Aid program should focus on the preservation of global public goods and prioritise its support in line with partner interests, national interest and well-defined comparative advantages.

## 2. DELIVERING EFFICIENT AID

The Australian Aid program currently faces a major challenge: remodelling its operations to absorb a doubling budget without compromising the soundness, effectiveness and reputation it currently enjoys, while facing increasing scrutiny from the Australian parliament, media and public. This constitutes a formidable challenge and we welcome the focus of the Review TOR on the efficiency of the Aid program and suggest the following thoughts for consideration.

### *2.1 Distinguishing Delivery Modality from Service Providers*

Increasing the quantity and quality of AusAID support and services requires a thorough analysis of the current practices and consideration of potential new practices. We believe it is necessary to distinguish two fundamental elements of these practices: i) mechanisms/modalities of delivery (e.g. project, facility, SWAP, budget support) and ii) service providers/partners (private contractors, partner governments, INGO, multilateral agencies, local civil society organisations, etc.). It is worth noting that some service providers can deliver support through different modalities and conversely the choice of one particular modality does not automatically mean the use a single type of service provider.

In most cases, the current modus operandi is to decide the modality and service provider before the design of a project. We believe this should be reversed: a design should define the outputs and outcomes desired, following which a range of services providers should be given the option to make the most innovative and cost-effective proposals. The choice of a modality and/or service provider should be made and justified on the basis of a thorough understanding of the complexity of the situation/issues at play and on a pragmatic analysis of the comparative advantages of potential partners/modalities. We share the view that comparative analysis of all existing and potential categories of partner and modality should be carried out, with clear distinction of comparative advantages and weaknesses for each modality/partner. We disagree with the implementation of any blanket policy that favours/condemns the use of a particular type of modality /service provider for ideological and/or political reasons, as it reduces the options for delivering support efficiently and, in the long-term, jeopardises the effectiveness of the Aid program. We suggest the concept of Value-For-Money should guide the choice of delivery modalities and partners, with the understanding that the “Value” part of the equation represents development outcomes and benefits.

### *2.2 Fostering Partnerships for Implementation*

The current tripartite system that governs most AusAID initiatives (AusAID makes policy and allocates funds, counterpart agencies / partners advise on the design and the implementation, and service providers implement) works on a contractual basis but often reflects a lack of trust. This usually leads to a range of blockages, inefficiencies and micro-management behaviour from all parties. It also limits the quality of technical discussions between service providers and AusAID and fails to leverage the expertise available in a way that a more mature relationship with partners would.

While we believe the share of responsibility between the different actors involved in the Aid program is structurally sound, we also believe there is a need for improved relationships. The implementation of the Aid program needs to be “de-compartmentalised” and “de-modulised”: synergies should be actively sought between potential stakeholders, i.e. between AusAID, NGO,

managing contractors, partner governments, academia, local civil society, playing and leveraging off their strengths while giving them full responsibility for the success/failure of a program. Partnership is a real opportunity for effective delivery if it draws upon the relative strengths of each partner and we suggest AusAID should play a more active role in encouraging and brokering such partnerships. The strengths of potential partners should be better understood and used. We believe the Australian government has a greater capacity to absorb risk than services providers and should therefore cover that responsibility in a true partnership fashion (or it will be priced into contracts - a suboptimal option). Conversely, most service providers have greater flexibility to make quick decisions and act on these. Different categories of service providers have also different strengths (e.g. private sector is best at cost effective delivery as they are profit-driven, NGO's are better at reaching people and communities, academia is better equipped to deliver research-based contracts, etc.); such strengths should be recognised and capitalised on.

We also suggest alternatives to current arrangements should be explored. For instance, similarly to the example of the various scholarships programs, AusAID could invest and partner with private and academic institutions to export Australian know-how and expertise in pursuing its objectives overseas. AusAID should widen the pool of its contractors to include actors from all segments of the Australian economy. This would, for instance, mean AusAID would partner with an Australian renewable energy company to develop wind-farms in a specific region, covering financial risks of the operation until it's no longer needed. Another example would be to contract out the management of the Australian aid program for the smaller countries to contractors who then manage through sub contracts its delivery through NGO's, other contractors, local civil society etc.

### ***2.3 Using Flexible Contractual Arrangements***

Support provided by the Aid program needs to be complex and multidimensional, in response to complex and multidimensional situations, issues and challenges. The need to understand, accept and embrace this complexity cannot be overestimated. It can only be matched by the need to develop, promote and apply flexibility to the support provided. This calls for the integration of different perspectives into solutions and for flexible arrangements to frame them. While contracts are necessary we suggest they should include the flexibility to allow some level of trial and error, as natural steps towards continuous learning and improvement. This often necessitates a process of experimenting, failing, learning, and innovating.

Failures and risks are currently seen as liabilities; we advocate a radical change of attitude to contractual arrangements. We suggest contracts should be tailored to the job and where outputs are easily defined and risk can be quantified and costed we favour the use of outputs-based contracts as a standard arrangement, with the organisation of inputs as a non-prescriptive section. This would enable and facilitate the formation of pertinent partnerships and effective consortia to deliver the agreed outputs and contribute to outcomes.

We also favour Aid as long-term engagement: we believe in the long term nature (generational) of change required for development and therefore the need to set long term objectives and commit adequately. From a efficiency perspective, the start-up costs of an intervention are always the greatest as they cover intangible yet time and resource-consuming aspects such as understanding the environment, generating relationships, establishing systems, and developing critical trust. Once a project has momentum, i.e. relationships are in place, local knowledge is attained and systems of delivery are functioning, then the efficiency of support (on a return on dollars spent basis) is greatest. Unfortunately it often coincides with the end of a project life (between 3 and 5 years). The



redesign and start up of a new phase is a very expensive option, directly (the money spent by AusAID) and indirectly (the cost of the tendering process which is passed on to AusAID through contractors' margins later on). For these reasons, we suggest contracts be systematically extended on the basis of clear criteria of relevance, performance and availability of funds.

## **2.4 Conclusions**

- Comparative analysis of the different Aid modalities and service providers/partners should be conducted, and a pragmatic approach based on the concept of Value-For Money should guide choice on a case-by-case basis;
- Mature relationships should be fostered with implementation partners and partnerships should be promoted, opening the door to actors from all segments of the Australian economy;
- Contractual arrangements should be flexible enough to reflect the necessary complexity of effective solutions and enable genuine learning and innovation to take place.

## **3. PROMOTING INTELLIGENT AID**

International Aid has become a complex area of public policy and intervention, which increasingly requires data, information and knowledge to demonstrate results, convince public opinion, negotiate with partner governments, and compete with other foreign policy priorities. We believe AusAID should promote the development and sharing of sound intelligence on Aid as a first step to secure the effectiveness of its program, to promote innovation, and to continuously improve its operations.

### **3.1 Investing in Research**

There is a current deficit in tapping the intellectual capital of Australia. We believe there is a wealth of experience within Australia that should be used to place AusAID at the forefront of research and innovation on Aid. We believe AusAID should invest in independent and external centres of research (academic institutions, think-thanks, policy centres, etc.) to generate and promote new ideas, generate evidence on appropriate and effective Aid, support the development of sound policies, and inform the public debate. As it currently stands, AusAID fulfils (too) many functions, a mixture of policy, analysis, implementation, self assessment, etc. It is very difficult for one organisation to perform all these functions well and we suggest AusAID develops further partnerships with the outside world and contracts out functions that can be performed outside the department. Partnership between the private, academic and public sectors should be facilitated and encouraged to bring a necessary pluralistic perspective in developing this research-based intelligence.

### **3.2 Conducting Systematic Evaluations**

The evaluation of Aid should be systematic, independent and transparent. We welcome the work of the ODE and the agency-wide efforts over the last few years to streamline and systematise the M&E of funded initiatives. To develop further this effort, we believe AusAID/ODE should develop a transparent program of strategic evaluations at country, region, thematic and sector levels, to be conducted by independent evaluators through an open and transparent system. Such evaluations would make use of the vast amount of M&E information that exists at individual initiative level and that often fails to be integrated at the strategic level.

In addition, we believe the ODE should be external to AusAID to be truly independent. ODE personnel could be drawn from AusAID, academia, contracting community, etc. but their careers and progression cannot be under the control of AusAID management.

We also appreciate the benefits of the Contractor Performance Assessment (CPA) which can be held as an example on the international stage. However we believe the CPA process – or a similar system for performance assessment – should be applied to all categories of service providers (NGO's, Multilateral, etc.) and be used to ensure the selection of the best provider, providing the necessary commercial signal to ensure improvements of all service providers and as such the overall efficiency of the Aid Program.

### **3.3 Managing Knowledge**

The amount of data, information and knowledge generated agency-wide is substantial. While we recognise AusAID efforts to organise and disseminate it through technical and public forums, we believe the establishment of knowledge management (KM) policy and processes would benefit the Aid program's stakeholders, including partners, contractors and the general public. Knowledge management is understood as the systematic process of identifying, storing, sharing and applying knowledge to better achieve certain objectives. Knowledge management frameworks should be developed for individual initiatives - complementing and feeding the existing M&E frameworks – with a twofold aim:

- capturing, storing and making accessible explicit and tacit information, knowledge and experience for interested parties, and
- abstracting lessons in ways that enable transference and application to other settings.

Much in the way the M&E processes work, KM frameworks for individual initiatives should feed into sector, thematic and country-wide KM frameworks that should be used for policy and decision making, communication and public relations needs, and ultimately continuous improvement of the Aid program.

### **3.4 Conclusions**

- AusAID should invest in research activities, making use of the valuable capabilities in Australia and encouraging partnerships between private, public and academic sectors, to develop a body of knowledge and evidence as a first step to improve the effectiveness and promote innovation in its program;
- The scope of work of the ODE should be continued and widened, and a transparent program of systematic strategic evaluations should be developed together with an open and transparent system to contract them to independent evaluators;
- Knowledge management systems and processes should be developed to integrate information and learning from individual initiatives, foster agency-wide innovation and ensure continuous improvement of the Aid program.

