SUBMISSION TO THE INDEPENDENT REVIEW OF AID EFFECTIVENESS

1. Background

The comments and suggestions in this submission are based on 30 years of experience with AusAID projects/programs, including 10 years employed by ADAB, nine years as a senior officer in a contracting firm and 11 years as an individual contractor. My focus here is on TOR c, on effectiveness.

2. Term of Reference c: Problems and Issues in Effectiveness

My starting point is that we know how to do good effective projects/programs under the right conditions. Often we do not have the right conditions. Many of the problems in effectiveness come from trying to find ways around the difficulties of the local situation. Often all the donor agencies are lined up outside a particular door, because the government official inside has an agenda, has political support, is reasonably non-corrupt and gets things done. On the other hand, a recent AusAID provincial program in which I was involved was largely going back to old practices of working on sub-projects pretty independently of the provincial and local governments, in order to spend the money and get some things done (pushed by AusAID). This practice was despite all of the modern rhetoric about partner governments, capacity building and fitting in to local systems and responsibilities. Efforts had been made to work through local government in the early years, but little effective action resulted and communications partially broke down. So initiatives from other Australian departments, other AusAID projects and other donor projects were seized upon and pursued (partly at AusAID initiative).

AusAID itself can be a major barrier to effective solutions in such situation by demanding activities fit into pre-conceived current fashions of modes of project/program delivery. In a recent case we reviewed a five-year Phase 1 project. The requirement to continue with Phase 2 to complete the system was apparent. The complex sets of interrelated activities, the required limited but fixed timeline, the large size and scope of the activity all fit the requirements of a project. But because AusAID's current fashion was for large programs with specific short-term inputs revised on an annual basis, AusAID rejected the consensus view that there should be a Phase 2 project. Instead it was squeezed into a broader program as an activity on an annual basis, hence losing coherence, interconnection, integrated management and a fixed timeline.

Having AusAID contracting procedures govern project/program design, rather than serve and support such design, is a further illustration of such barriers. In a case where the Program unit requested large scope with flexibility and progressive engagement, and the Design team delivered this, the Contracts unit rejected the approach because it did not fit their preferred contracting formats.

AusAID can be the major problem limiting project/program effectiveness, but this will not often show up in project/program Reviews. Such Reviews are not in the "blame-game", but problem identification and solving activities. Accepted practice is to mute criticism of AusAID. However, when one Review recommended a Quality Audit (which is the appropriate mechanism for a review of AusAID performance on the project), this Audit was not taken up. Rather AusAID staff instituted a

Compliance Audit on finance under the Contractor's control (even though no evidence of such financial problems emerged in the Review).

3. Underlying Structural Issues

Many of these problems and issues in AusAID's delivery of effective aid activities can be traced back to various underlying structural issues. The solutions to such issues are not obvious, but they do need to be addressed.

3.1   AusAID roles

There are basically four dimensions to development assistance activities:

    a. Strategic and Political
    b. Developmental Approaches
    c. Professional Expertise
    d. Administration and Finance

AusAID has traditionally emphasised the first and fourth roles, setting country program frameworks and funding and administering aid programs. While having some emphasis on the other two dimensions, AUSAID has for many years obtained expertise in these dimensions though the use of Contractors. In more recent years, AusAID has tried to reduce its administrative and finance roles, by contracting more of these functions, and increase its policy roles. Because of the nature of its staffing, its culture and its systems this transformation has been only partially successful. Should this transformation be continued or not?

3.2   Expend the money problem

When I first joined ADAB, a memo from the FAS came around congratulating staff on expending 99.9% of the "Revised Budget Estimates" in the financial year. The introduction of accrual accounting was supposed to stop the practice of rushing out spending at the end of the FY to use all available funds. Yet, in a recent Review it became apparent that money had been dumped into the Project trust account, to register it as expended by AusAID in the FY. Also, the project had been asked to take on a related but non-priority activity late in the FY to enable those funds to be booked as committed.

When the Fraser government increased the aid budget, at the same time as cutting staff and resources, the joking solution was "write bigger cheques". Nowadays we fund bigger Programs, rather than individual projects. We have also reverted to old models of building things. ADAB used to build airports, docks, roads and bridges (every "known to man" bridge in Sarawak, for instance). Then we focussed on technical assistance, with countries using soft World Bank and ADB loans to build schools, roads, bridges etc. This seemed to work quite well. But it does not spend enough money, particularly if the fashion is against long-term Advisers. So we are now building schools which governments could quite well fund themselves. (See Robert Cannon's recent article in the Australian).

Funding recurrent expenditure used to be a no-no, because it enhanced dependency (we moved the PNG program off budget support to projects for this reason). Nowadays the push for Programs

generally includes direct budget support, or like the school buildings, funding which enables diversion of local government expenditures to other activities. This still leaves the old problem of having governments commit to maintenance, repair and local operating funds, if they can go back to donors for more funds.

If the planned expansion of the aid budget is to be undertaken, how do we avoid the size of the funding determining the mode of delivery and the likely effectiveness of the activity?

The partial answer has to be a variety in modes of delivery and a wider range of countries to enable access to more project friendly conditions. There should still be allowance for modest and mid-size projects to be designed and implemented to have effective strategic outcomes. These can be balanced with larger funded programs, where effectiveness is likely to be too diffuse to be assessable.

3.3 Dealing with Contractors problem

AusAID staff have developed a largely adversarial relationship with its Contractors. Undoubtedly there are some unscrupulous practices by some Contractors and some poor performances (and I have been involved in terminations of some projects and contracts). However, a lack of trust and communication, and limited acceptance of good faith efforts to meet responsibilities, can damage project/program effectiveness.

Recent models of Capacity Building projects and some Programs, where AusAID appoints directly a Long-term Adviser in country to control activities, and asks the Contractor to largely limit itself to administration, financial management and reporting, seem to be dysfunctional on many occasions. Too much responsibility goes on the individual Adviser and any failing in relationships or activities quickly becomes personal. Meanwhile expertise and support within the Contractor is not utilised and personnel feel little responsibility for outcomes. If the current Review of Long-term Adviser modes of support leads to a cut-back in such roles, who will then have responsibility for leadership in projects/programs?

3.4 Fads and fashions in modes of delivery

A few years ago a team of old "white-heads" was brought together to design a "new-style" provincial based program. A few of us suggested that the Concept looked very much like the Integrated Area Development projects of years gone by and maybe we should reflect on that experience with the now derided mode of delivery. We were assured that this was quite different, and we should make no reference to such previous activities.

Giving design teams mandates to come up with some new mode of delivery, an innovative approach, is generally poor practice. Teams should be asked to find best solutions, given the myriad problems on the ground and focus on getting designs and implementation which are most likely to be effective in the circumstances. If the resultant design looks similar to previous activities, then fine. The key question is not what it looks like, but whether it is likely to be effective in the circumstances.

While policy and expenditure parameters have to be specified in advance, there needs to be flexibility in modes of delivery and design of activities to best achieve the potential for effective outcomes.

3.5   Rush to Action in new modes of delivery

A typical pattern of innovation in modes of delivery, is for a Concept to be developed somewhere in AusAID, approval is granted to proceed, with a large funding allocation to go with it (with significant expenditure programmed for year1). Then staff say that regular procedures will take too long to meet the political imperative or spend the money quickly, so Fast-track steps are instituted. Then about the time large-scale implementation is struggling to get going, the caravan assumes it is fixed and moves on to new initiatives and careers. Then some poor sods have to come and sort out the mess. Proper planning and implementation of such Change Management is rarely undertaken. So, many innovations which may have some legitimacy, are not effectively implemented.

4.   Suggested Improvements

Improve Go/No Go decision processes. Embassy/HC staff often feel committed to going ahead because of the level of consultations which have been undertaken with counterparts in country. Most poor projects/programs are given the go ahead, even though conditions are perceived as not feasible or even favourable. If projects/programs are given the Go, they should be categorised A, B or C. When a project/program is to proceed for" political" grounds, they should be clearly identified as C projects/programs, recognised as having low likelihood of effectiveness.

Legitimise a wide variety of modes of delivery for projects/programs. Locking in preferred modes and structures too early, does not allow best design solutions to be developed according to the situation and conditions on the ground. Progressive engagement and flexibility of design as workable strategies are developed from experience on the ground are further elements of this approach.

Ensure contracting serves effective projects/programs. Policies should be enacted that clearly give priority to the needs of effective projects so that those needs guide contracting, rather than contracting governing project/program design. Similarly, evaluation reporting should not dictate design.

Enable and support Contractors to recruit and use professional expertise. Reducing key roles of Contractors to reporting and administrative roles and functions, at quite high cost rates, does not utilize available expertise and does not commit Contractors to ensuring successful outcomes.

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2 February 2011