

28 January 2011

Independent Review of Aid Effectiveness Secretariat
GPO Box 887
Canberra
ACT 2601

Dear Chair

I write to this inquiry as a citizen with a keen interest in Australia's aid program and its effectiveness. I also have some years of experience in overseas aid as an academic and project implementation professional. This review is timely and its independence and scope permit an assessment of Australia's aid program in the broad context of our foreign policy, planned budget growth and the current political and economic environment.

Australia's aid program is for the most part well directed and managed. It has a considered set of objectives that shape policy and effective spending. It enjoys a high degree of reflection and review as evidenced by the impressive work of the Office for Development Effectiveness. To complement this official capacity, Australia has a strong body of public, not for profit and private organisations with many skilled policy specialists, academics and development professionals. Nevertheless, I believe Australia's aid program could be more effective by addressing the following issues:

Developing a longer term aid approach that draws directly from the recent experience of our region's development (ToR ref a.)

The Asian region is the fastest growing in the world. In the past decades, millions of people have been lifted out of poverty by economic growth, trade expansion and greater employment. Yet in the same period, AusAID's policy focus has trended toward multiple humanitarian ambitions, despite the directions offered by the 2006 White Paper. Given the remarkable economic success of many developing countries of our region, it would be beneficial for a greater portion of our aid program to complement this reality. A renewed focus on growth and employment should be a centerpiece of the aid program's future directions. Economic growth is not the sole answer to underdevelopment, nor do we have a complete understanding of its drivers. But a clear lesson from our region's recent history is that only with economic growth can better health, education, infrastructure and stable governance be effectively pursued.

Spending the aid budget in more creative ways that serve longer term objectives (ToR ref a.)

Two contrasting programs in Australia's aid program history highlight the importance and need for a long term creative approach: elements of the multi-decade Colombo Plan and the current Australian Youth Ambassadors for Development (AYAD) Program. While not without its problems, the Colombo Plan represents an example of simple and straightforward program implementation that linked activities to a coherent longer term

strategy. The Plan's scholarships helped to develop people in Australia who then returned to their homeland to make a positive contribution. A legacy of the Plan is that many political and business leaders in the region have deep and long-lasting ties to Australia. In contrast, the AYAD program raises the question 'for whose development?' The benefit to recipient countries of hosting young and often inexperienced Australians in suitable employment for a short time are limited and the justification for spending aid money on this program is weak. The AYAD program has grown rapidly and become popular. But its objectives and results are at odds with an approach that supports the development of recipient countries – an approach taken by the Colombo Plan. The AYAD program primarily advantages the already advantaged; its budget allocation should be put to a more creative and prudent use.

Adjust AusAID's procurement approach to better manage the highly outsourced delivery of aid (ToR ref c.)

The high levels of external contracting by AusAID are not unusual by world standards but it does present challenges in clearly delineating roles between AusAID and contractors. There has been a trend in recent years to favour larger contracts but with an increasing number of conditions that are sometimes more aligned with short term organisational requirements than the needs of the activity. AusAID should adjust its procurement approach to obtain better value for money from its contracts. If AusAID continues to impose strict contractual conditions along with the tendency to sometimes micromanage project implementation, then it would be better placed to undertake activities themselves, thereby building its staff's skills and capability. A highly prescriptive approach to tender requests serves to encourage conformity among contractors and restrict entry to new service providers. Further problematic is the growing trend to structure contracts to require AusAID approval of sub-contract terms and conditions. This contributes to increased sub-contract consultancy costs and less incentive for head contractors to deliver greater value. The desire for greater contractual transparency by AusAID has led to unintended consequences. Freeing up contractors from some conditions and interference would help to unleash their many skills, encourage higher performance and deliver greater value for money. It would also grow the professionalism and trust necessary between parties for delivering effective aid through the external contracting model.

I thank the Committee for the opportunity to provide views on Australia's aid program and trust the Committee to make recommendations of substance and frankness to decision makers to improve Australia's aid program.

Yours faithfully

Dr Leighton Vivian