



Accountability and effectiveness of contractors

Private sector contractors who implement aid projects are committed to using Australian Government funds appropriately and effectively.

Stringent accountability mechanisms apply to contractors, including robust tender processes, performance-based contracting, and close monitoring of projects to ensure policy compliance.

IDCC members are fully committed to maximising the impact of Australian aid. The Australian public can have confidence that aid is delivered professionally and effectively by IDCC members.

Why is accountability important?

Australia's aid program benefits our developing neighbours, and also provides good returns for Australia in terms of regional security and stability, as well as profile and influence. Aid projects are often implemented in unpredictable or challenging operating environments. The work often involves supervising teams of local staff, handling complex transactions with local governments and contractors, being scrupulous in adhering to codes of ethical conduct and guarding against fraud and corruption, and achieving measurable outcomes. IDCC members are committed to using Australian Government funds appropriately and effectively when engaged to implement aid programs. This is to ensure we deliver the intended benefits for those in developing countries, and because all firms or organisations entrusted with spending taxpayer's money should be held accountable for effective, efficient and ethical use of these funds.

What systems are in place to ensure accountability and effectiveness?

Throughout the life of aid projects, there are various mechanisms which ensure accountability and that aid funds are used to best effect.

- **Tender processes** – contracts to deliver aid projects are awarded after rigorous competitive processes that test company skills and expertise, financial administration and management capacity. Price is also a significant factor, driving value for money.

- **Performance-based contracts** - Funds are not simply handed out. Contracting for aid projects typically includes performance-based elements, such as payment against achievement of specific milestones.
- **Compliance with key policies and processes** – all contracts include requirements for contractors to comply with aid policies and DFAT checks, such as providing regular progress reports, forward plans, and risk management updates; and ensuring fraud prevention and control, anti-terrorism measures, and child protection. Contractors have established internal policies and systems to support these processes, including regular internal 'health-checks' on projects to identify and resolve any emerging issues and risks.
- **Project monitoring**– DFAT staff monitor programs closely, including monitoring of project results, tracking budgets and expenditure, and confirming compliance with contractual and policy requirements. Major projects are subject to annual “Aid Quality Checks” which assess progress and performance.
- **Financial monitoring** – contractors have robust internal systems for financial oversight, which ensure they meet DFAT requirements such as observing government principles on procurement and value for money, and providing financial reporting on budgets and expenditure. Projects are also subject to financial spot-checks and audits to ensure that funds are being spent appropriately.
- **Partner Performance Assessments** – for each aid project, the contractor is subject to an annual performance assessment by DFAT against set criteria. These link to performance payment under the contract. Performance assessments are also taken into account as part of a contractor's track record in future tender processes.
- **Evaluations** – projects are subject to independent mid-term and end of project evaluations. These assess progress towards results, document performance and outcomes, and provide lessons to improve future programs. This is extremely important in terms of accountability to Australian taxpayers.

Do these systems work?

These measures work well both in terms of effectiveness and probity of aid delivered by private sector contractors. DFAT's own assessments show that private sector contractors are highly effective. The *Performance of Australian Aid 2016-17* report states that, “Commercial partners achieved the highest Partner Performance Assessment (PPA) rating by delivery partner type”.¹

The robustness of Australian systems, including those of DFAT and the private contracting community, are reflected in the very low incidence of fraud and corruption in the aid program. DFAT reported fraud losses of only 0.068 per cent in 2016-17 (less than seven dollars in every \$10,000).

IDCC members have a vital interest in maintaining the integrity of aid management and procurement processes. The Australian public can have confidence that Australian aid is delivered professionally and effectively by IDCC members.

IDCC, October 2018

¹ See <https://dfat.gov.au/about-us/publications/Pages/performance-of-australian-aid-2016-17.aspx>, p20. The report ranks effectiveness of programs delivered by commercial implementing partners at 4.9, by Australian non-government organisations at 4.8, and by multilateral organisations at 4.5.