



### Contractor payment rates

**Contractors are key delivery agents for Australia's overseas aid program, bringing expertise in areas such as agriculture, economics, education, health and engineering.**

**Contractors' pay rates are set out in DFAT's Adviser Remuneration Framework, and are generally significantly lower than those paid to consultants and contractors in non-aid related work.**

**The fact that aid consultant rates are relatively low is often misrepresented in Australia's media, who consider development cooperation as charity rather than an investment in our regional future which needs to be professionally implemented to a high standard.**

#### Political and economic sense

Contracting commercial suppliers to implement key components of the Australian aid program makes both political and economic sense:

- Political sense because the private contracting community does not bring its own political and/or international agenda to the design and implementation of aid programs (as opposed to multilaterals and NGOs);
- Economic sense because the market place is highly competitive – with relatively low margins for both consultants and project management firms.
- Political and economic risk mitigation because contracting-out shifts these risks to the private sector.

The Australian Government achieves quality and value for money from its aid program because it maintains diversity of implementation partners: diversity of type of partners (i.e. NGOs, multi-laterals, and private sector agents), as well as diversity within partner types (diverse NGOs, numerous multi-lateral agents, and a sizeable managing contractor and consulting market place).

These stakeholders are all aware that their continuing role in the Australian aid program is dependent upon delivering quality and value for money. Squeezing out any one of these implementing partners risks diversity and shrinks the options available to the Australian Government. Over the medium and long term, this trajectory will likely increase prices and decrease quality.

## **DFAT Adviser Remuneration Framework**

The DFAT Adviser Remuneration Framework is a salary banding tool applied by the Government to the aid contracting community. It was introduced by Foreign Minister Kevin Rudd in 2011, and is currently under review by DFAT. Although the international development contracting community is generally supportive of the ARF, the application of salary banding is not generally applied to consultant and contracting communities in other sectors and/or government departments. A rapid review of rates paid by Government departments to consultants and contractors in non-aid related work demonstrates that the ARF rates are generally lower, and sometimes significantly lower. We encourage DFAT to compare consultancy rates across the various panels held by Australian Commonwealth departments. For example, in Australia, engineering companies typically charge out their engineers at a rate between \$2,000 and \$5,000 per day, including to Government departments. Under the ARF, a senior engineer (i.e. over 15 years' experience) working for Australia's international aid program could expect to earn between AUD \$812 - \$933 per day. In our experience, the ARF rates can act as a disincentive to potential advisors, particularly when we are recruiting for work in challenging environments such as Afghanistan or Papua New Guinea.

In addition, short-term adviser rates (are gross rates (not net) and are a total fee for service. For example, the short term daily rate of AUD \$900 per day must support the entire business operation including all on-costs, plus bidding and transaction costs, holidays and sick leave, superannuation, insurances, etc.

Over recent years, the aid program has been moving towards "consolidation", or fewer, larger aid projects. As the projects have been getting larger, this puts concomitant increasing responsibilities on the shoulders of long-term advisers, particularly those in managerial positions who are often responsible for managing hundreds of staff, millions of dollars, and a wide range of program components and program risks. The ARF does not reflect the level of responsibility that senior advisers take on.

## **Comparative consultant rates**

The relatively low aid professional consultant rates vis-a-vis other industry consultant rates is a reality which is often misrepresented in Australia's media. Indeed, media surrounding aid workers suggests that they are paid particularly high rates, and implies that people working in aid should be paid low rates because they are working in aid. This type of positioning tends to derive from (and reinforce) the notion that aid is (or should be) an act of "charity", rather than an investment in our shared global future. Aid and development programs are mutually beneficial to Australia and our aid recipient countries. They need to be professionally implemented to a high quality standard.