



Australia's International Development Contractors Community

SUBMISSION BY

**AUSTRALIA'S INTERNATIONAL DEVELOPMENT
CONTRACTORS COMMUNITY (IDCC)**

TO THE

**JOINT STANDING COMMITTEE ON
FOREIGN AFFAIRS, DEFENCE AND TRADE**

**INQUIRY INTO THE STRATEGIC EFFECTIVENESS
AND OUTCOMES OF AUSTRALIA'S AID
PROGRAM IN THE INDO-PACIFIC AND ITS ROLE
IN SUPPORTING OUR REGIONAL INTERESTS**

JUNE 2018

The International Development Contractors Community (IDCC)

Tens of thousands of Australians have participated in Australia's aid program, by working with government, NGOs, academic institutions, as volunteers, with 'think tanks' and with private contracting firms or as individual consultants. The **International Development Contractors Community (IDCC)** was formed early in 2018 as a representative body for organisations and individuals who provide, or have provided, Australian development cooperation through contracts and consultancies. **Our members represent a professional community which has worked with our neighbouring countries for fifty years, and which over recent years have had responsibility for around 20 per cent of the annual aid budget¹** (This equates to approximately \$800 million per year, or \$8 billion over 10 years).

IDCC's member organisations and individual members **deliver a vast array of development projects for the Australian government** and other donors. Our community of professionals work hand-in-hand with individuals and organisations in developing countries, ranging from water and sanitation projects to health improvement initiatives, from training teachers and midwives to building roads and bridges, to supporting and building up government institutions at the national and sub-national level.

Our members employ and work closely with teams of national staff in each country, developing cultural insights into what works on the ground, and what does not. We procure locally, and we engage with local firms and partners. Our members work on complex issues across more than 50 countries in the Indo-Pacific region and beyond.

The IDCC welcomes the Committee's interest in the aid program. We make this short submission to highlight that the aid program not only provides benefits to people in developing countries, but is also highly conducive to creating constructive relationships which are in Australia's broader strategic and national interests. **We believe there is significant room to improve the contribution that Australia's aid program can make, and we provide some specific suggestions to this end.**

Summary of Recommendations

As further detailed below, the IDCC recommends to the Committee that the Australian Government:

1. Restore confidence within the Indo-Pacific region in Australia as a trusted and consistent development partner, through a planned, phased and consistent reversal of recent aid cuts. This should include provision for DFAT to maintain and grow its skills and capacity for effective development, management and strategic oversight of aid activities.
2. Regardless of aid volume, optimise the efficiency and effectiveness of the aid program by increasing the proportion of projects designed and delivered by organisations which can represent a strong Australian presence and identity; and reducing the proportion of aid going to

¹ While media reports and some other aid stakeholders have at times implied that the share of aid implemented by commercial suppliers has been growing rapidly over time, we would note that DFAT figures show the use of commercial suppliers has remained quite steady in recent years (2013/14 21%; 2014/15 19%; 2015/16 20%; 2016/17 21% - according to DFAT's 'Performance of Australian Aid' series).

UN and other multilateral organisations. This will help ensure that the Government is prioritising a direct bilateral program in the region working directly in our national interest.

3. Take greater advantage of the collective expertise of those Australian professionals involved with implementing aid programs, through a closer partnership approach. For example, this could involve aid contractors developing concepts for aid investment.
4. Maintain the Government's emphasis on promoting gender equality and women's empowerment through the aid program.
5. Continue support under the aid program for private sector development and innovation, while avoiding simplistic approaches such as direct allocations to private sector companies.

The IDCC additionally proposes that the Committee consider:

6. Establishing a regular (annual) meeting between interested members of the JSCFADT and the IDCC Board Directors, to discuss developments in the aid program and possible future approaches.

The simple term "aid", and its associations with handouts and disaster relief, is a misleading shorthand for a more complex and nuanced set of activities. In our experience, the aid program is built around ideas of **development cooperation**, such as **skills transfer; technical assistance; building the capabilities of people and institutions; collaboration; providing access to opportunities for networks and leadership; and giving exposure to better systems, policies and practices**. This is beneficial for our developing neighbours, and also provides good returns for Australia in terms of regional security and stability, as well as positive Australian profile and influence.

If Australia is to have effective influence through its development cooperation, **we have to be visible**, and to have people on-site in developing relationships. Australia needs to work closely with partners in ways which demonstrate our understanding, commitment and long-term engagement. **People-to-people links are vital**, whether through project staff working with counterparts, or foreign students on aid scholarships learning in Australia, or Australian volunteers working with local communities. These relationships build the substance of trust at multiple levels, and provide the basis for positive influence. IDCC members working as professional staff and experts from Australia show every day that Australia and its people can be seen as trusted friends.

We believe that **development cooperation**, despite the significant size of the aid budget within the DFAT portfolio, is **often overlooked as a key strategic tool**. The 2017 Foreign Policy White Paper gave the aid program only cursory attention. There seems an unchallenged assumption of a lack of return on investment to Australia from development cooperation, compared to other tools such as intelligence, defence, and politico-economic engagement. It would be useful for the government to commission some deeper analysis across the range of tools available for pursuing the foreign policy agenda, and to consider whether budget allocations reflect the comparative levels of return on investment.

Successive cuts to the aid program have also **reduced confidence in Australia as a trusted and consistent partner, at a time when new players are discovering the value of exercising “soft power” through aid**. Regional partners see aid being given a lower priority even while our economy continues to grow, with cuts to aid disproportionately high against other government expenditure, and the aid program now heading towards an all-time low in terms of share of gross national income. So, for example, while Saudi Arabia is investing time and resources in developing influence and relationships across Indonesia, and while China is complementing its commercial muscle through highly visible aid programs across the Asia-Pacific, Australia has been cutting development cooperation in our key bilateral relationships. **We are seen as vacating the field while our competitors move in**. This impacts negatively on Australia's international reputation, while also limiting our capacity to influence development outcomes to the benefit of national interests. IDCC strongly advocates for **a planned, phased and consistent reversal of the continuing aid cuts**. Such a funding boost should include provision for **DFAT to maintain and grow its skills and capacity** for effective development, management and strategic oversight of development cooperation.

We also recognise that **aid volume is not the only measure** by which the aid program should be assessed: whatever the size of the aid budget in a given year, the government should **optimise its mix of aid investments** and maximise the impact and returns for the aid dollar. In this vein, we have already seen the government focus its more limited aid program by prioritising our own region. As a further step, we recommend that within the aid mix, the Government should **increase the proportion of aid projects designed and delivered by organisations which can represent a strong Australian presence and identity. We believe this provides both increased strategic returns, and increased effectiveness**. From IDCC's collective field experience, we would be wary of an over-reliance on aid to UN and other multilateral organisations. In a tight budget context, IDCC believes that contributions to multilaterals reduce the influence and effectiveness that Australian aid can have relative to direct bilateral engagement. DFAT has much less direct control or oversight of activities implemented by UN and multilateral agencies, and is less able to ensure that their reporting focuses on the results the government wants to achieve. **By DFAT's own measures, multilateral aid rates as significantly less effective**, with partner performance assessments of multilateral aid programs rating at 4.5, compared to 4.9 for commercial implementing partners or 4.8 for Australian non-government organisations. **IDCC recommends a relative reduction in the share of multilateral mechanisms in the aid mix**, to ensure that the Government is prioritising a direct bilateral program in the region working directly in our national interest.

There is also scope for the Government to take **greater advantage of the collective professional expertise of those involved with implementing aid programs**. The IDCC would welcome a closer **partnership approach** with DFAT in planning and implementing development cooperation programs. This would aim to maximise the benefits and returns to Australia on its aid investments and to help ensure that aid-funded work integrates with other foreign policy approaches. For example, aid contractors are often used by DFAT to develop designs based on aid concepts developed by DFAT. IDCC suggests that there is value in consulting with and involving this aid expertise *at an earlier stage*. The government, through DFAT, must obviously remain in the driver's seat in terms of policy directions and

desired aid outcomes. But when developing concepts for new aid initiatives, the government could draw on the depth of expertise of aid contractors at an early stage by, for example:

- **Inviting inputs from aid contractors on draft DFAT concepts** – providing an informed discussion and reality check on whether/how these can be implemented on the ground, and possible improvements;
- In a more innovative approach, **inviting aid contractors to develop concepts for initiatives to address DFAT's desired outcomes in a given sector**. Such a process could involve a variation on the traditional tender process, by allowing advice from contractors at the *concept* stage as well as the design stage. Once concepts were selected by DFAT, successful contractors could then move on to formalising partnerships and sub-contracting smaller players while developing designs for DFAT's approval.

The current Government has articulated some distinct policy directions for the aid program, and IDCC members have been closely engaged in the implementation of these. Based on our practical experience with international development, we would add some observations:

- The IDCC strongly supports the Government's emphasis on promoting **gender equality and women's empowerment** through the aid program. Increasing the participation and engagement of women is fundamental to every development activity our members undertake. While shifting social norms around gender in any country is a long term endeavour, over time we have contributed to the increased participation of women in development initiatives (for example, a doubling of female scholarship applicants and awardees in Cambodia in the last five years). We urge the government to keep up the emphasis on gender equality within the aid program.
- As a body which represents private sector organisations, the IDCC understands the **valuable role of the private sector in development**. We support the Government's stated aim for the aid program in strengthening the private sector's role in developing countries. We would however **caution against a simplistic interpretation of this approach** which bluntly prioritises direct engagement with, and aid flows to, the private sector in developing countries. In any location, it is important to consider the capabilities, absorptive capacity and readiness of local entities, and the local environment. Many countries in our region still have a long way to go in developing a positive enabling environment for the private sector, requiring for example a strengthened and modernised public sector, and better human resource capacity.

In this context, it is important to consider **what particular roles aid can play towards more favourable outcomes for the private sector**. For instance, an aid program might partner with government regulators to deepen their appreciation of the private sector's potential role and to support their oversight of a favourable regulatory environment for private sector operations. Such an initiative could achieve more for the private sector in a given country than allocating limited aid resources directly to a small subset of private sector entities. Understanding the local dynamics and environment is crucial, and this is an area where IDCC members are well placed to

advise.

- No-one can sensibly argue against the value of **innovation** in the aid program. The opportunity to utilise new thinking or try different, more effective, approaches is well understood, and the government's initiatives in this direction are appreciated. IDCC would only **caution against the potential for a simplistic mindset around innovation** in the aid program which says "new is good, old is bad". Over decades, IDCC members have been working in aid programs, with continuous improvement of aid mechanisms such as aid facilities (overarching platforms which support a range of complementary activities), or scholarship programs. The Government should **recognise the value of this type of incremental innovation** which adds significant value to aid initiatives, as well as encouraging new, "outside the box" approaches.

The IDCC is grateful for the opportunity to contribute these ideas to the deliberations of the Inquiry. **We would welcome the opportunity to discuss our views further** with the Committee through public hearings. Should the Committee be interested, we would also **welcome the chance for the Directors of the IDCC to periodically (annually) meet with interested Committee members** to discuss developments in the aid program and possible future approaches.