



International Development Capability

DFAT Capability Review – International Development Contractors' Community submission

November 2022

Introduction

Effective International Development is central to the uplift required to address the external challenges facing DFAT

International development is a key arm of Australia's foreign policy – it is in our national interest for countries in our region to be prosperous, stable and inclusive. International development capabilities are already central to the way DFAT addresses the five external environmental challenges identified in the terms of reference: geopolitical and geoeconomics shifts, technological change, trade and people flows, crises including relating to climate, health and conflict, and our intertwined future with the Indo-Pacific. Strengthening these capabilities will enhance Australia's ability to respond flexibly to the known challenges identified and unforeseen events that will arise, allowing DFAT to adapt its policies and practices and continue to deliver effective results in the face of uncertainty.

International Development within the context of DFAT's and partner ecosystems

Much of DFAT's international development capability has been lost following the integration of AusAID into DFAT. To not only get it back, but to *build it back better, improving quality*, requires an "ecosystem" approach that focuses not just on the key skill sets required in DFAT, but on how it functions as a system within the political economy of:

- DFAT: with the leadership, incentives, culture and accountabilities in place to make it work. International development is enhanced when it works in concert with diplomacy, defence and trade but cannot do so effectively if development capability oversight within DFAT and through contracted partners is not sufficiently rebuilt, or replaced.
- Whole of Government: the linkages between the development program and other Australian support including security, defence and trade should be clear and ideally positioned through a joint host country support plan.
- The wider international development sector in Australia that includes people and other capabilities deployed as individual contractors and consultants, via organisations supporting the design and implementation of the development program (for profit, for purpose and not-for-profit), and organisations supporting the generation and application of knowledge and thinking (academics, think-tanks)

A clearer articulation and understanding of the role of international development staff in DFAT within these ecosystems would help demonstrate how Australia's objectives can only be achieved if all actors are valued and the required capabilities invested in. Such an understanding would give focus to efforts to strengthen the capabilities required in DFAT for policy and program design, management, and evaluation, and would help guide how DFAT engages with external actors, respecting their capabilities and skills, allowing them to effectively play their roles when engaged by DFAT to implement its agenda.

Part 1. What are the challenges facing DFAT's international development capability?

If international development is central to the delivery of Australia's foreign policy, it can only assist with that objective if it is designed and delivered effectively, by which we suggest the following three requirements should be met:

- there must be clarity, precision and specificity of strategic intent (what programs are expected to deliver);
- necessary human, financial and other resources, allocated and deployed in an appropriate manner (how programs will be delivered);
- appropriate reporting and monitoring systems that are operational (to know whether programs are on track, and what should be done if they are not).

The capability strengthening required needs to ensure these fundamentals are in place, whilst also ensuring programs are designed to be sustainable and make a demonstrated contribution to the host partner/country's stability, prosperity and inclusiveness.

Within this approach we are suggesting ideas to address six specific problems in DFAT:

- Accountability systems more focused on finance than development results
- A shortage of development skills and competences
- A weak culture of organisational learning
- Inward and upwards culture, instead of outwards and downwards
- Lack of appetite for deep contextual knowledge
- Resistance to the contestation of ideas and proposals

Part 2. Core capabilities required for organisational success

Organisational accountabilities

There is strong accountability in DFAT for expenditure. There are mechanisms in place for contestability for the design of individual programs, including the Aid Governance Board and requirements for independent appraisal. However, when it comes to the *quality of implementation*, there is *very little accountability* which means DFAT is not able to understand how effective its international development program is. As an organisation, it is not positioned or incentivised to understand with any depth what is working well and why, where course corrections are required and where highly promising approaches need to be further supported. This is left to individual program managers at Post who are of varying levels of experience – with many posted to jobs where they are expected to manage multi-million dollar, complex initiatives without the skills, experience, support or mentoring required to do so.

There needs to be one Division in DFAT that has accountability for development effectiveness, even though the development funding is managed in a dispersed and devolved way throughout the Department and across multiple Posts. Without this, Australia will end up undermining its strategic objectives, expecting that aid dollars are achieving things they are not. The urgency of this cannot be overstated in the context of the development needs of our neighbours and the criticality of Australia's strategic interests. At the same time, development is not easy or linear, there needs to be space for learning, adaptation and innovation - and incentives and a culture that supports this. This is challenging within DFAT's institutional culture of knowledge as power, shared only on a "need to know" basis.

The DFAT International Development Division should have:

- Clear entry points to contribute to, review, advise and add value to the development program at implementation stage, including mentoring staff with limited development experience (including at Posts and desks).
 - This could be in the form of a Development Implementation Unit, consisting of sectoral, geographic and implementation specialists, that play a role in mentoring, guiding and supporting staff at Posts in

managing programs during implementation. This should be particularly focused on the Pacific where staff capacity at Posts is very stretched.

- It could build on the existing “health check” mechanism which could be bolstered and better resourced, reporting in to the Aid Governance Board or a similar group that has broader representation from external bodies that are concerned with development effectiveness.
- Accountabilities for understanding how effective Australia’s development cooperation is in each country and region, what the issues and challenges are and ways these can be addressed – going beyond project “self-assessments” where individual activity managers are encouraged – and even expected and incentivised to rate ‘their’ programs highly, but drawing on a broader range of stakeholder feedback and input, to understand the perspectives of our partners and key local sources.
- Accountabilities to drive major international development priorities and directions, such as localisation, strengthening respectful relationships with partner countries at multiple levels, addressing climate change and gender inequality. Without this, the new international development policy will have little effect on the bulk of the development program in practice.
- Input into how Posts are resourced to deliver on their international development objectives including through posted officers and locally engaged staff; no development program should be designed without factoring in the necessary DFAT resources at Post required to manage it. The Development Division should be a primary source of officers posted to key development positions at Posts and should have strong links with local staff at Posts who provide the long-term, contextually grounded information and insight into how Australian development assistance is tracking and how it is being perceived.
- Accountabilities for planning, budgeting, review and assessment that require core public service skills (of use across DFAT) and are essential for the management of risk in increasingly complex environments
- A mandate to share and promote good practices, lessons and innovations so that DFAT can be a learning organisation and its community of development practitioners can engage in ideas that will help drive continuous improvements.

The Development Division needs to work closely with Posts and with the Office of The Pacific and Office of Southeast Asia – not to duplicate functions but to have clear authority and accountabilities for development effectiveness at a whole-of-department level. This needs to be crafted carefully and fully backed by the Minister. Otherwise, the cadre of development specialists in the Development Division will find themselves with no real role in development programming and become marginalised. A \$200 million education program could end up entirely directed by a First Secretary with no development or education experience, whilst an education specialist with 20 years’ experience in the Pacific sitting in the Development Division is given no opportunity to shape the program.

Skills and competences

To support these functions, DFAT needs to have staff or consultants at all levels with deep development experience, drawing on expertise in the private sector as required. At present we identify there are gaps in the following core skills and competences:

- Strong understanding of political, economic and social contexts of our partner countries to inform grounded and realistic understandings of how effective Australia’s international development assistance is – with the ability to draw on local knowledge and intelligence to inform this analysis.
- The basics of program “administration” are lacking. Officers need to know financial, grant and contract management. IDCC members report significant inconsistencies in the capabilities of staff they engage with, for example at the more operational end, program managers who lack experience in processing invoices, taking decisions on minor in-contract amendments, through to program managers of large-value high-risk contracts with little to no program management experience. This scenario can tend towards the micro-management of inputs and an inability to manage flexibly or within adaptive program frameworks. These issues seem to be particularly acute in mixed-duty roles, where non-development skills and work may be prioritised by staff and management.

- An understanding of the legal and industrial relations requirements that flow through Government of Australia contracts from Australia and local jurisdictions, and how to manage these effectively without exposing DFAT or the development program to unnecessary risk.

A shift to outwards and downwards

The Development Division should also actively foster relationships and dialogue with other development partners – including contractors, consultants, NGOs, academia and other thought leaders and practitioners. DFAT is an organisation whose vision is ‘inwards and upwards’ – to senior officials and Canberra, rather than ‘outwards and downwards’ to government partners and other stakeholders. This creates a strong impression of a closed organisation that hears but does not listen. DFAT needs to engage with ideas, be open to contestability and seek feedback as part of its culture of learning, particularly in ways that draw out local perspectives and help to curb any overbearing donor behaviours that ultimately do harm to Australia’s reputation and relationships in the region. This will require a significant cultural shift within DFAT. Ways this could be achieved include:

- Regular forums where HOMs and heads of aid discuss effectiveness issues alongside development specialists with relevant geographic and sectoral expertise, both locally and in the Development Division; to identify learnings and areas for improvement – such forums should be able to hear directly from implementing partners like contractors, consultants and NGOs as well as influential local actors, to inform their views.
- Ministerial and senior official visits and consultations that explicitly seek to engage with both successes and lessons learned.

Leadership to make this work

The Development Division in DFAT needs to be led by someone who has spent the *majority of their career* devoted to international development, including living and working in developing contexts, with breadth and depth of experience in policy and programming. Not only will this give them the skills, credibility, insight and experience needed to lead this reform, it will also send the most powerful signal of all within the Department: that international development is a valued, significant and high priority skill set, right up to the Deputy Secretary level.

In the political economy of DFAT, such leadership will also need to articulate how the international development program is adding value to Australia’s foreign policy objectives and drive delivery of programs that are seen to complement and strengthen traditional diplomatic approaches.

All of this needs committed leadership within DFAT with clear accountabilities to show improvements in capability to the Minister, that can be tested with and verified by other development partners that work closely with DFAT including partner governments, partner institutions and the contracting community.

Addressing unconscious bias – celebrate success

Despite previous efforts to value development capability as a career anchor in DFAT, the widely held perception persists that development is not on a par with other areas of the department, which is contributing to continued rates of churn and the departure of highly skilled staff with development expertise. In addition to the approaches outlined above, the department could consider how to address this unconscious bias. Symbolic changes could be considered, such as renaming the Diplomatic Academy with a more inclusive term (e.g. the DFAT Academy) alongside activities to positively promote stories featuring the development program, staff who have built successful careers in development and across the department and the job and personal satisfaction that can come from working overseas and in Australia on development work.

Section 3. Refreshing DFAT's international development capabilities

Country level planning

To assist implement the New International Development Policy there is an opportunity to develop strategic country plans that identify what Australia will and won't address through its development program. These plans are important both for the direction they provide and the discussions on strategy, partnership and resourcing they facilitate in country and with Australia's whole of government partners during their production. The plans offer an opportunity to help establish the longer-term development aims of engagement and associated shorter term objectives of use for public diplomacy.

Rebuilding and reskilling the development workforce

We note that despite the considerable updating of DFAT's priorities and the imminent agreement of a New International Development Policy, the breadth of skills in DFAT's staff complement has not changed or expanded commensurately.

To help DFAT recruit, train and retain staff who want to work in international development roles, where DFAT needs them, we suggest:

- A dedicated graduate program for individuals that want to pursue a career in international development – not just in Australia but at Posts so that high potential locally engaged staff can be part of these cohorts.
- Top notch training programs in international development that support practitioners at different levels, at Posts (for local and posted staff) and in Canberra, including support for sufficient pre-posting training to allow staff to undertake development roles if they don't have development backgrounds.
- Opportunities for placements and short-term missions for staff (local and Australian) to be involved in the design, implementation, monitoring and review of development initiatives, including placements working with and for NGOs, contractors, consultants, partner governments and local organisations to gain broad and deep insights into the contexts in which we operate.
- Postings and promotions that are linked to international development knowledge, skills and experience, with active Ministerial and Senior DFAT leadership that dispels any notion that working in development is a negative for career progression and advancement in DFAT (which is currently a very live and active attitude and norm within the Department).
- Career paths, professional development, posting opportunities and senior roles for locally engaged development practitioners given the crucial role that they play in delivering Australia's development program. DFAT needs to explicitly value their understanding of context, extensive networks and ability to operate effectively in their countries and their technical expertise and backgrounds, in addition to administrative skills. There are opportunities to build and share their technical expertise in ways that add huge value to our development effectiveness. Whilst reporting to HOMs, they should have a connection to the Development Division that helps with their ongoing growth as well as giving them opportunities to directly input into development policies and practices. Without this, hierarchical structures within DFAT prevent the views and ideas of locally engaged staff from ever reaching Canberra.
- That DFAT's internal capability be enhanced by embracing new partnerships, new ways of working, rather than simply focussing on long term public servants and the internal skills that they provide.
 - The ability to recruit development practitioners at varying levels, including on flexible contracts with position titles and remuneration packages outside of the standard APS structure, both at Post and in Canberra. This is particularly relevant for deep technical expertise.
 - We encourage DFAT to reconsider how it resources the international development capabilities it requires, through embracing diverse/different models of engagement for human resources to bolster capability. These include new ways of hiring staff; creating private sector designated positions – contracted positions (for systems reform or short-term initiatives); the establishment of technical support units (not just draw down arrangements from panels); and private sector

secondment partnerships, including into program leadership to bring greater awareness of private sector perspectives.

- We encourage DFAT to reconsider the skills it prioritises when short-listing for senior management and EL roles, and to recognise the advantages of recruiting staff with private sector and non-government experience.

Looking forward for the next ten years, the development program could require additional capabilities if it is to effectively address the following challenges:

- From strategic coordination to cooperation. Designing and delivering programs in closer cooperation with key partners, for example the United States, who are increasing their footprint in the Indo-Pacific and who have significantly different approaches to programming and implementation.
- Skills to facilitate closer collaboration with partner governments, especially at the concept and design phases.
- First Nations – the government’s commitment to a First Nations foreign policy will require careful articulation and application in the development program, where many questions arise, including how the concept should be understood in the context of international partnerships and programs, and how First Nations cultural lenses and authority can be integrated into international development policy and programming processes.
- Digital technologies - using digital technologies to detect and understand the development challenges facing the region, and the exploration of digital technology as part of the solutions sought. The development program could build stronger links to central DFAT capabilities in digital resilience and cyber security.
- Development finance, as guided by the outcomes of the ongoing review and the application of development finance to specific challenges such those posed by climate change
- Building enduring partnerships – invest in language training for those in development roles and support their capability development in understanding local political economics, respecting local beliefs and values. Consider how to reset program governance arrangements for planning, reporting, monitoring and evaluation to be more responsive to political and administrative cycles in partner countries.
- Support for infrastructure suited to the different challenges across the Pacific and SE Asia regions, that embeds gender quality, disability and social inclusion principles, and is differentiated according to the needs of our partners – from construction that facilitates the provision of basic services through to support for infrastructure governance and commissioning.
- Crises in countries where we do not have a bilateral aid program but wish to engage bilaterally in response to a crisis. Flexible capabilities that can be deployed to support development and humanitarian responses in complex environments where DFAT no longer has a development program, or capabilities at Post with experience in working with development programs and partners.

Strengthening DFAT’s core capabilities that will benefit development effectiveness

Given DFAT’s integrated structure, the design, delivery and review of an effective international development program would be positively impacted by the strengthening of core departmental capabilities that support all of the department’s operations. Some of these capabilities have previously been established as dedicated capabilities for international development, for example the evaluation function in the former Office of Development Effectiveness, but they need not be limited in this way, and we would argue, by building them into the core DNA of the department overall performance could be lifted and any perceptions of development exceptionalism would be addressed.

We suggest DFAT establish a whole of department independent evaluation function. The Office of Development Effectiveness was valued by the contractor community for its role in bringing forth evidence on what led to longer term development effectiveness and for highlighting opportunities and risks for consideration in new program conception and delivery. The contracting community would welcome a return

to the establishment of an independent office of evaluation and effectiveness, supporting an organisational culture of learning and adaptation.

We also suggest that DFAT needs greater flexibility in the way it deploys its core capabilities internally. Greater acceptance of the different skills and cultures needed to deliver the very different 'business lines' in DFAT, would be useful. A 'smart' centre would provide the connective tissue between these business lines rather than enforcing conformity of approach, where this is detrimental to achieving objectives.

- Central function dedicated to 'how we operate' that articulates practical guidance for how DFAT applies its values across its different capabilities, including international development, to build a stronger sense of one department with a common-mindset and interoperable values. This area would benefit from a 'clean-sheet' approach that refreshes previous practices more prevalent in different parts of the department. Allied capabilities in this function would include:
 - Capability development and learning – given the relatively large number of mid-career staff that have joined DFAT, there is an opportunity to invest in core capability development for all to build a common set of values, that recognises equally the strengths and opportunities offered by the different kinds of work undertaken and the mindsets required.
 - Review and restructure for greater flexibility how Government of Australia departments and agencies contract services to enable the Government of Australia to easily collaborate with important regional and strategic partners, specifically the United States of America and USAID. Harmonisation of contracting processes will make it easy for our key strategic partnerships to collaborate, it will even drive collaboration.
 - Planning and Foresighting – to engage with whole of Government planning and scenario capabilities that explicitly include development as a core tool of statecraft, for example joint scenario planning and interoperability exercises.
 - Strategic communications that respond to perceptions of Australia held by our partners in the Pacific and SE Asia and support strategic objectives of the government including First Nations foreign policy and the localisation agenda in the development program
 - Knowledge management – an area concerned with ensuring DFAT maximises the value it gains from its principal asset – the knowledge of its staff. KM would oversight how to optimise people, processes, and technology to allow DFAT's knowledge to be at the disposal of the department, the government, and our partners. Need to know is important in national security but should not be used in a way that is mutually exclusive to the partnership, innovation, and adaptation necessary in international development. Whilst knowledge management extends far beyond technology (most knowledge remains unwritten and good knowledge management is about connecting people), there is the option of including a bid for finance to significantly upgrade the IT used to support knowledge capture, storage, and dissemination. The IDCC's members consistently encounter problems related to knowledge management, including weak handover during rapid staff churn, associated lack of institutional memory, and misplaced documents (including contracts, core briefing, relevant reports, evaluations etc.)