



2008 OECD Development Assistance Committee's (DAC) Peer Review of the Australian aid program

This brief provides informal commentary on Australia's aid program for the DAC Review team. The views and opinions contained within this brief are solely the views of Cardno and are not for further publication or distribution.

Introduction

The Australian Government has committed to increase the aid program to 0.5% of Gross National Income by 2015. The 2008/09 budget has increased Official Development Assistance by 9% laying the foundation for the biggest investment in development assistance in Australia's history. The new Government is also placing a greater emphasis on poverty reduction and the achievement of the Millennium Development Goals. The future is exciting.

AusAID has been carefully planning the future of the aid program and its scaling up. Surprisingly some have criticised the measured increase in volume and changes in program direction. However, AusAID's challenge should not be underestimated and in our view the agency has managed the process very well to date, ensuring that effectiveness is not sacrificed. Aid by its very nature is a high risk exercise and AusAID needs strong political support in order to embrace these risks during a time of rapidly rising budgets. This will be critical, but the early signs are promising.

Background

Cardno Emerging Markets (Australia) is one of AusAID's largest contractors, with over A\$400 million worth of contracts currently under implementation. Together with its sister companies Cardno Emerging Markets (USA) and Cardno Emerging Markets (UK), Cardno has more than 1000 staff working in the international development assistance field in over 60 countries. Our major ODA clients include USAID, DfID, the EU, the World Bank, the Asian Development Bank, various UN agencies and AusAID.

Cardno's recent interaction with senior AusAID officials and at the political level has been very positive. As one of Australia's largest deliverers of aid we clearly can expect a certain level of engagement, but at the same time we also have a strong responsibility to share our experiences and add both practical and strategic value to the aid program where possible. We have had very positive collaboration with AusAID on issues such as aid effectiveness, infrastructure initiatives, health and capacity development. Of particular note, our relationship with the Office of Development Effectiveness is very good, primarily as a result of a joint Cardno/AusAID effectiveness review conducted in September 2007, which helped develop a greater understanding of what makes aid effective.

Achievements

- Australia is taking more of a lead globally in the development context, particularly in the Pacific where Australia's experience and approach to working with Fragile States is world class. Similarly, Australia plays a clear leadership role in other countries such as Indonesia, Timor Leste and the Philippines. Australia is also now more willing to work collaboratively with other donors who in our experience, are becoming increasingly interested in the experiences coming out of the Australian context. The partnership rhetoric is matched by reality: very positive.

- Australia is to be commended for its increased focus on Aid Effectiveness. This is a very necessary step and initiatives AusAID has instigated (e.g. Quality at Implementation reporting, Annual Review of Development Effectiveness) ensures that “good development” increasingly takes centre stage in all activities. This is also driving change within the development industry. In recent discussions Cardno has had with senior representatives from other donors/institutions (USAID, World Bank and NZAID), Australia has been complimented for its effectiveness initiatives, both at a policy and practical level.
- Australia is also increasing its focus on economic growth and the need for greater investments in infrastructure – a positive initiative. The Australian Government’s aid policy framework recognises that economic growth is essential for reducing poverty and realising the Millennium Development Goals, and that infrastructure investment is a key driver of economic growth. Cardno believes that the Government’s various infrastructure initiatives, including the recently announced Pacific initiative, are well considered and practical in approach. The partnerships with multilateral interventions to help regional partner governments improve infrastructure policies and finance high-priority investments should ensure positive developmental outcomes.
- In our extensive international experience, the integrity of AusAID’s tendering process is the cleanest in the world and other donors view Australia’s procurement guidelines as best practice.
- AusAID now uses a number of different forms of aid in order to deliver effective assistance in a complex region of both fragile states and more dynamic middle income countries. These range from direct budget support, providing funding to multilaterals, sectoral programme support as well as projects, facilities and SWAps. This variety is beneficial in terms of delivering more effective aid in the region. There can be no one-size-fits-all and we consider AusAID’s approach (and that of other Australian government departments) to be sensible and practical. While there will always remain an important role for the private sector, it is critical that companies such as Cardno adapt rapidly to meet the challenges that these new forms of aid bring. We recognise that the onus is on us to maintain relevance.

Recommendations

- In spite of Cardno’s positive engagement with the aid program (referred to above), the private sector in general has a wealth of knowledge, experience and information that could perhaps be used more effectively for policy formulation by the Australian Government’s aid program.
- Untying the Australian aid program is a positive and welcome initiative. However, in order to maximise its potential benefits, AusAID should now consider simplifying procedures and pricing to provide more incentive for new players to enter the market given its relatively lower margins.
- The public tabling in Parliament earlier this year of the Annual Review of Development Effectiveness was a welcome event. It is imperative that this transparency and accountability continue.
- Australia needs to ensure public support and confidence in the foreign aid program continues to grow considering the increasing aid budget and inherent risks associated with it. If economic conditions in Australia deteriorate it cannot be assumed that the aid budget will escape increasing critical attention. Much can be learnt from the successful coalitions in support of foreign aid in Europe and the US.
- Cardno believes that greater clarity around Australia’s objective of the aid program would be achieved by removing reference to the national interest. Stable and prosperous countries in the Asia Pacific region are obviously in the interests of those countries themselves and their neighbours. Specific reference to national interest implies incorrectly that the motivating factor for foreign aid is narrowly for the benefit of Australia.