



Facilities deliver aid effectiveness

Executive Summary

Cardno believes that under certain conditions, facilities can be a **valuable mechanism** for delivering aid. Australia is unique in its willingness to invest long-term in fragile and low-capacity environments in a flexible and adaptive way. Given that facilities can be an important mechanism for doing this, **DFAT and managing contractors should work together to further enhance how facilities function.**

This paper explains what facilities are and how they differ from traditional aid programs. We argue that facilities are a necessary modality to address complex development problems. When deployed strategically, and under the right conditions, **facilities can achieve development outcomes not possible through individual aid programs.** We provide two examples of facilities within our own portfolio to demonstrate what facilities can achieve.

Facilities can be a valuable aid modality as they: (a) generate efficiencies via *enabling facilities*, which allocate resources more efficiently, thereby allowing DFAT staff to focus on policy engagement; and (b) target development effectiveness via *development facilities*, which align the nature of support to the underlying development issue.

For facilities to deliver efficiency *and* effectiveness, we believe that there needs to be a **shift from a client / supplier model to a partnership model** with development partners such as Cardno. Key features of this shift include:

- Changing the contract model from an outputs-based, punitive model (as this constrains flexibility and innovation) to one based on a partnership framework.
- Adapting procurement processes to recognise the true cost and nature of the senior leadership and corporate resources needed to effectively implement a facility.
- Evaluating facility management from a partnership perspective by using a balanced scorecard approach.

DFAT has developed useful guidance this year on facilities, drawing on independent review findings. We support this development as it creates a useful starting point for a more rigorous approach to running facilities. Our own findings on facilities largely align with DFAT's, however we have further ideas to improve how facilities are procured and contracted. In our experience, these issues are critical and need to be addressed to enhance facility effectiveness.

Our specific recommendation is for DFAT to work with contractors to ensure that **management, contractual and procurement arrangements are fit for purpose.**

A program versus a facility

Donors worldwide outsource the delivery of aid budgets to non-profits, international organisations, multilaterals, and private companies. This is usually done through a discrete program or project. Whilst acknowledging the achievements of many programs, there are limitations to what a typical program can achieve, hence a global push from development practitioners to ‘do development differently’. The facility model is part of Australia’s response to address these limitations.

Traditional aid programs tend to be highly prescriptive as they define problems and propose solutions from the outset. There are fundamental limitations with this approach in a development context: development change is often a complex political and social process that does not lend itself to pre-determined approaches.

Due to design and procurement timeframes, delays in project start up can be substantial, during which time the in-country political context may well have changed. Rigid budget lines set against pre-determined activities do not easily allow for a change in direction. Change requires adaptability and flexibility.

Another limitation is that programs are usually sector-specific, whereas most **development problems require multi-sectoral solutions**. For example, to address the problem of malnutrition, a wide range of contributing factors needs to be considered, such as maternal and child health, water and sanitation, education, rural development, governance, and community engagement.

Having many small programs to manage is an administrative burden for the donor, and a burden on national government, agencies and communities who must deal independently with each program.

A facility is designed to be **responsive to partner government needs and support DFAT to achieve a particular policy agenda**. A facility often brings together aid programs or activities—that would otherwise be managed separately—under one organisational banner.

Common features of facilities include **flexibility, responsiveness and the ability to adapt and solve problems**. Because facilities work across multiple sectors, they allow us to view issues through a wide lens. More importantly, facilities aim to match the development modality to the underlying nature of change which is messy, complex and political.

Facilities **are not applicable in all contexts**, and are but one of many modalities to deliver aid.

Two broad types of facilities

DFAT provides the following definition for two prominent types of facilities; Cardno’s own classification of facilities is similar to DFAT’s.

An enabling facility is primarily intended to provide administrative services to meet DFAT’s corporate needs—such as recruitment of technical assistance—often across multiple sectors or areas of work. Cardno categorises these as ‘efficiency’ facilities given their primary driver is resource efficiency.

Such facilities offer DFAT efficiencies in managing the burden of administering a range of smaller contracts, allowing DFAT to ‘raise its gaze’ to higher-level strategic issues and engagement with partners.

A development facility will have clear high-level development outcomes, but not specify at the outset how final program objectives will be met. Cardno categorises these as ‘effectiveness’ facilities given their primary driver is to match the aid modality to the underlying dynamic of the development problem they are addressing.

Reform pathways and strategies are not defined, but emerge. Facility managers are active participants with DFAT in defining the program’s direction and in managing policy dialogue.

What can facilities offer?

- The scale of facilities means that **change can be affected quickly and coherently** across an entire portfolio of programs to achieve cross-sectoral outcomes.
- Facilities allow **resources to be shifted in a more agile manner** to support emerging change pathways.
- Flexibility in budgets allows facilities to pursue activities **responsive to partner needs**.
- Centralised, but flexible, management systems give managers an ability to see trends across programming, decision-making and partners allowing them to bring **coherence to tasks, integrate cross-cutting issues like gender, inclusion and climate change, coordinate resources, and identify emerging problems**.
- Facilities are able to work effectively with a range of partners and in many instances, become a **pathway for local partners** (community-based organisations, non-profits, research institutions and civil society groups) to participate in the aid program.
- Facilities provide a **centralised point of contact** for partner governments, making it easier for them to engage with the aid program.
- Facilities can **create efficiencies and value for money** by sharing resources and systems and by reducing the overhead costs of multiple programs.

Reviews of facilities

We know from evidence that complex development outcomes are not achieved through simple, sector-specific programs.¹ When facilities function well, the gains for development outcomes are significant. We also know that operating in a facility model involves risks—the ‘all eggs in one basket’ dilemma—and we need to carefully address these challenges. This requires a different way of working between DFAT and managing contractors.

In the past year, **DFAT has taken significant steps towards developing and refining its understanding and policies around facilities**. An internal guidance note developed by DFAT sets clear direction for facilities, and outlines the conditions in which a facility model is applicable. This note provides much needed clarity for facility management and will improve how future facilities function. Importantly, it identifies points in internal DFAT management that need to be strengthened.

Following this, a DFAT-commissioned independent review of selected facilities provides further insight into the complexities of the facilities model and makes recommendations to improve the way facilities are designed, managed and evaluated.²

¹ Matt Andrews, Lant Pritchett, and Michael Woolcock, 2017, *Building State Capability*, Oxford

² Lynn Pieper, 7 May 2018, *Review of Selected DFAT Facilities*, Independent Consultant Report to DFAT, <https://dfat.gov.au/about-us/publications/Documents/independent-facilities-review.pdf>

Both the guidance note and independent review tell us **facilities are worth keeping**, but that the way facilities are designed, procured and managed needs to be **fit for purpose**. Cardno's internal review of facilities, based on our experience of managing DFAT facilities, **concur with these findings** and provides additional insights and recommendations. We believe that the areas of **contracting and procurement** require further review if facilities are to function as intended.

The following table sets out points where the DFAT guidance note, independent review and Cardno concur on how facilities can improve across the program cycle, from design to results management, as well as additional insights from Cardno to improve contracting and procurement.

Points of concurrence		In addition, Cardno believes that...
All parties need to have realistic expectations of what progress is achievable in complex environments and how a facilities model can support progress.	Design	Responsive, adaptive and strategic functions should be explicit in facility designs and allow managing contractors to propose approaches and costings.
Governance mechanisms and decision-making processes need to be explicit.		The original design must allow for change as context changes and have inbuilt iterative features.
There needs to be appropriate levels of corporate resourcing to manage facilities.	Procurement	The true cost of senior leadership and experience needed to be responsive, adaptive and strategic needs to be accounted for when DFAT conducts a value for money assessment.
		DFAT's standard procurement processes need to be adapted to properly test the quality of corporate support being proposed under each bid.
A partnership approach is vital to success. This requires trust, mutual respect, clear accountabilities, openness and shared commitment.	Contracting and management	Standard contract templates are not suited to the facility model. There should be a 'complex partnership' contract template developed for facilities that prescribes roles, responsibilities, accountability and evaluation for both contractor and DFAT.
More senior personnel involvement is required from both DFAT and the contractor to strategically navigate the complexities and ambiguities involved in operating a facility.		A culture of 'quick wins' creates unrealistic expectations and pressures that may undermine the longer term goals of a facility.
Facilities need to have realistic time frames for start-up and deliverables given their scale and complexity.		Incentives
DFAT and contractor incentives need to be balanced appropriately.	Performance	
Both DFAT and contractors should track and assess the effectiveness of the facility itself as a delivery mechanism.		

Balanced scorecard approach

Original Perspective			Adapted Perspective	
How do we look to shareholders? E.g. cash flow, turnover growth, return on equity?	Financial	→	Development	How does the facility demonstrate effectiveness and impact?
What do our customers value? e.g. customer satisfaction, customer retention, on-time delivery, zero failure rate.	Customer	→	Shareholder	What do DFAT and the partner government value and how do we satisfy those expectations?
What processes must we excel at? Critical processes that deliver the customer value propositions and shareholder expectations.	Internal business processes	→	Key delivery processes	What are our key processes and how do we ensure they are delivered to a high quality?
How to sustain our ability to change and improve? E.g. new product generation, employee skills, technology development	Learning and growth	→	Learning and adaptation	How are we learning and how do we demonstrate application of that in what we do?

SIRF: an enabling (efficiency) facility

In the Solomon Islands, the vast majority of the aid program is run by DFAT and supported by a single facility, the Solomon Islands Resource Facility (SIRF). Valued at A\$111 million, SIRF provides operational and logistic support to up to 70 advisers for the DFAT Post and the Solomon Islands Government. The **flexibility of SIRF enables it to support and facilitate DFAT's strategic leadership** in a post-RAMSI development context. Being able to draw on and task a responsive and adaptive facility to provide appropriate advice and services allows DFAT to navigate a very fluid environment. SIRF shows how facilities can respond to changing needs without the donor needing to redesign the aid program, or procure new services each time.

Operational efficiencies. At an operational level, SIRF **gains efficiencies** not possible on individual programs. An example is SIRF's work on gender equity. Because of the facility's ability to track information and collect data across all programs, the team leader was able to see gender trends and identify barriers to the equal participation of women on SIRF programs. SIRF addressed this by developing a gender equity strategy and scorecard, and changed its recruitment processes to improve the gender balance of staff and technical advisers. SIRF's centralised management systems allowed it to do this seamlessly and quickly, rather than having to update systems for each individual program. As a result,

SIRF has achieved gender parity within its local team and is nearing parity within its international team. Researchers from La Trobe University are currently developing a paper on SIRF's gender approach.

Coordinating and sharing resources. SIRF's bird's eye view of various aid programs has allowed it to identify common core roles amongst technical advisers working in government agencies and across sectors: finance, human resources, procurement, corporate planning, organisational development and the like. With this view, SIRF has been able to ensure consistency in job descriptions and tasks, and link people together through communities of practice. This brings **uniformity to Australia's approach** in these areas.

Working in partnerships. SIRF shows how facilities have the scale to work **effectively with a diverse range of partners** and provide a forum for these groups to coordinate efforts. SIRF provides funding to local and international NGOs, local social businesses, and regional and Australian universities in areas of public outreach, training and capacity building, gender-based violence, and research.

Prospera: a development (effectiveness) facility

In Indonesia, the majority of Australian aid programs are delivered under facilities or through programs that have the features of a facility. The Indonesian Government has a complex bureaucratic structure with overlapping mandates between agencies. As such, reform pathways are multifaceted, difficult to program in advance, and donor programs must be able to respond quickly to the needs of different agencies. **Facilities are arguably the most suitable delivery mechanism** within the Indonesian context and are the preferred model for the Indonesian Government to work with.

Indonesia views Australia as a trusted partner on its path to economic development and **highly values the flexibility** of the Australia Indonesia Partnership for Economic Development, known as Prospera. Valued at A\$145 million (including A\$50 million delivered through government-to-government partnerships), Prospera builds on Australia's long history of support for strong, sustainable and inclusive economic growth in Indonesia. The facility brings together more than 120 advisers and 17 Australian government agencies and works with more than 20 Indonesian government agencies covering everything from macroeconomics and infrastructure to financial crime and maritime safety.

Responding to context. Prospera's strength comes from the way it operates with Indonesian leadership. The facility's highly expert and skilled teams (management and technical) have longstanding ties within Indonesia. The team looks for suitable entry points across ministries and agencies to support policy reform.

Prospera's strategies are not predetermined, but based on **strong political economy analysis, and are adapted to changing or emerging needs.** Prospera identifies policy reforms for which there is a critical mass of support and deploys the facility's comparative advantage in sourcing research and policy expertise to develop these reforms. This includes working through issues-based coalitions to secure internal government buy-in.

Finding solutions across sectors. Prospera is organised under policy themes, whether opening up markets or stability of the financial sector, and is able to **work with different government agencies** at various times to pursue the policy agenda. An example is how Prospera supports the Government of Indonesia to improve the ease of doing business. Prospera has helped simplify Indonesia's business regulations and supported government policies for starting a business and dealing with commercial issues.

What needs to happen for facilities to work?

A facility needs to operate within a **partnership model** where DFAT and the managing contractor work together to achieve a common goal. This involves a paradigm shift away from a client / service provider relationship—underpinning a traditional program model—to a relationship where both parties have complementary roles and responsibilities.

For example, under SIRF, DFAT engages with the Solomon Islands Government to agree on priorities and then works in partnership with SIRF to identify and source appropriate technical assistance to meet these needs. **The roles and responsibilities of each party are clear and synergetic.**

Facilities work best when they have an enabling environment characterised by trust and room to manoeuvre flexibly. **DFAT trusts the Prospera team** and allows them to pursue and seek opportunities to support inclusive economic growth within a highly complex political economy. It does not micromanage or seek to control activities through tightly bound contracts.

We believe that the benefits of facilities, when they function well, outweigh the risks. To ensure they function to full capacity, facilities need to be clearly designed and supported by a contractual relationship that reflects the level of partnership required between DFAT and the contractor. This requires senior-level engagement from DFAT. We agree with and support the findings of the independent review and the DFAT-issued guidance note. However, we think there are specific issues related to the contract and procurement process that have not been adequately addressed.

We suggest a **different contracting model for facilities**. One that is focused on results and quality of relationships, rather than inputs and outputs. One where performance assessment looks at the roles of *both* DFAT and the contractor, rather than only looking at a contractor's performance: because we know that both are equally important in making an aid initiative effective.

A necessary adjunct to this is that **procurement processes for facilities must be embedded within a value for money framework** which takes into consideration the sophisticated resources required for facilities.

Managing contractors, through the International Development Contractors' Community, could work proactively with DFAT to develop a type of contract or agreement and procurement process better suited to a facility model. This would ensure that the benefits of the facility model could be realised, **leading to an overall lift in the effectiveness of Australia's development program.**