

2 February 2011

Independent Review of Aid Effectiveness Secretariat
GPO Box 887
Canberra ACT 2601
Australia

Subject: Australian Government Independent Review of Aid Effectiveness

Dear Sir/Madam,

Please find enclosed the Foundation for Development Cooperation's (FDC) submission to the Australian Government's Independent Review of Aid Effectiveness. FDC welcomes the opportunity to present a submission to the panel, and is also willing to discuss in further detail any of the content of this paper.

Should you have any queries regarding this submission, please do not hesitate to contact me at the contact details provided below.

Yours sincerely,



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Australian Government Independent Review of Aid Effectiveness

1) Submission from The Foundation For Development Cooperation

The Foundation for Development Cooperation (FDC) welcomes the Review of Aid Effectiveness and commends the Australian government for initiating this process of consultation and opinion gathering.

FDC is a leader in collaboration and innovation for sustainable development in the Asia Pacific region. Established in Brisbane in 1990, FDC works at the nexus of governments, businesses, NGOs, donors and development organisations, conducting policy-oriented research; designing and delivering programs to test innovative development practices; and providing a range of services enabling more effective development outcomes.

FDC's work includes strategic research and policy analysis, economic development and assessment, consulting and advisory services, project design and implementation, secretariat and network management, and training and capacity building.

The depth and breadth of FDC's experience in development and fostering cooperation with developing countries affords valuable and credible input into the Australian Government's Independent Review of Aid Effectiveness. As such, this document provides high level insights relevant to the intent of the Review, drawn from FDC's 20 years of experience and expertise in working at the forefront of sustainable development policy and practice in the Asia Pacific region. Specific examples and recommendations can be provided to the Review Panel upon request.

The submission is structured in three parts providing thoughts on the following:

- Competencies for Aid Effectiveness – an emerging suite of competencies requisite for individuals and institutions to be more effective in the development and delivery of aid policy and programs
- Practices for Aid Effectiveness – a set of evolving practices that enable and support better development outcomes
- Emerging Focus Areas – emerging areas of opportunity for better development outcomes

2) Competencies for Aid Effectiveness

Complexity and uncertainty abound in addressing sustainable development issues such as responding to poverty, entrenched economic hardship, adapting to changing climatic conditions, effectively managing natural resources, and improving the quality of life of those who live in developing nations. Residing within each of these issues are linkages and dependencies that span social, economic, environmental and cultural factors, and spatial and temporal scales, collectively resulting in significant complexity and multiple challenges.

In considering pathways to address such issues more effectively, in addition to acknowledged good practice program management and processes, a suite of requisite, new key competencies emerge. These competencies require of individuals and organisations a suite of skills, tools and processes that enable them to more effectively work with the complexity, uncertainty and

fluctuating dynamics inherent in the practice of sustainable development. These competencies are:

- **Collaboration:** No one organisation or sector (private, public, NGO) has the all the answers or the ability to respond to sustainable development challenges in isolation. Effective solutions lie in integrating skills, knowledge, resources and passion from across organisations. Although conceptually appealing, bringing together people and organisations from across sectors, to work on complex issues, in challenging environments, is difficult in practice. A range of factors (culture, capability, capacity, etc) conspire against effective collaboration. As such, focus and effort is required on building individual and institutional competency for collaboration to enable more effective development outcomes
- **Systems Thinking:** In order to work with the complexity inherent within sustainable development issues, the ability to understand them in a wider context is required. These challenges require policy makers, program deliverers and practitioners to think holistically, across social, economic, environmental and cultural factors, as well as spatial and temporal scales. And, necessitate the ability to identify and understand symptoms in the context of their systems, consider relevant inter-relationships, and identify the underlying drivers. In designing and delivering development policy and programs a capacity for systems thinking is required for more effective development outcomes.
- **Learning:** Academic R.L.Dilworth aptly summarises the need for learning in addressing sustainable development when she states that *“fresh thinking and new learning are needed if we are to avoid responding to today’s problems with yesterday’s solutions, while tomorrow’s challenges engulf us”*¹. Reflective practice and learning need to be designed in to development policies, programs and evaluation to ensure more effective outcomes in terms of: addressing the target issue/s; building individual and institutional capacity; and, providing evidence based input into future policy and program development.
- **Innovation:** More effective sustainable development outcomes will not come from simply increasing the scale of current approaches. Greater impact will come from extending current practices by *doing some things differently*, and by conceiving and trialling entirely new approaches, that is, *doing different things*. Fundamentally, there is a requirement to innovate. Innovating in this context presents challenges for existing structures, cultures, skill sets and mindsets. A mandate for measured experimentation is required, along with a ‘safe space’ to test ideas and initiatives, and engage with a range partners.

Interestingly, each of the abovementioned competencies is consistent with the intent and recommendations contained within recent Australian Public Service reform initiatives in the areas of public administration, innovation and the ‘government 2.0’ agenda. Developing and fostering these competencies throughout the aid program value chain will lead to more effective sustainable development outcomes.

¹ Dilworth, R.L. (1998) ‘Action Learning in a Nutshell’, *Performance Improvement Quarterly* 11, no.1: 44-58



3) Evolving Practices for Aid Effectiveness

As evidenced through FDC's experience and expertise in sustainable development policies and programs, there are three evolving practice areas that offer insight and promise to more effective aid outcomes. These are:

- **Local Ownership:** By and large there seems to be a good 'top down' approach in place with policy dialogue and reform through ongoing discussions between Australian development advisers in the field and their local counterparts in government civil society and business. However, this needs to be complemented with local ownership by adopting a strong bottom-up strategy, embedding community involvement in planning, decision making and active participation in the implementation of local initiatives. Building on current practice, the further development and application of participatory approaches to community development, such as CSIRO's Sustainable Communities Initiative model, are required.
- **Private Sector Engagement:** It is acknowledged that the private sector plays a very significant role in development, in terms of investment, technology transfer, skills building and education, health care, and enterprise development. The inquiry in aid effectiveness provides the opportunity to consider the relationship between Australia's aid program and the Australian private sector. Much can be gained in leveraging the expertise, resources and drive of the private sector in participating in the delivery of development outcomes. Consideration needs to be given to further enhancing protocols and programs to broaden the participation of the private sector in Australia's overseas development programs, and to translate this engagement into tangible action and results. Similarly, as the development of trading capacity and relationships with developing countries as envisaged in PACER Plus, can also lead to investments that drive development outcomes, engaging Austrade to explore program linkages would be worth considering.
- **Evaluation for Learning:** In most cases, evaluation of development activities is a process for capturing relevant information as a means to assess performance. Embedding learning into the design and delivery of development programs enhances project processes and leads to more sustainable development outcomes. An emerging opportunity for better development outcomes is to shift focus from evaluation and learning, to evaluation for learning. This is best captured by the web site 'Learning for Sustainability'² when it states *"One of the most pressing challenges is to develop participatory and systems-based monitoring and evaluative processes to allow for ongoing learning, correction, and adjustment by all parties concerned. In this way evaluation can support learning approaches towards sustainability, and contribute towards empowering the stakeholders involved"*. Viewing performance assessment in this light sees the practice of evaluation as 'a platform for learning, accountability and capacity building'.

² <http://learningforsustainability.net/evaluation/>



4) Emerging Focus Areas

Based on FDC's expertise and practice the following themes are focus areas for sustainable development that are emerging and/or growing and offer opportunities for innovation, learning, and greater development outcomes.

- **Payments for Ecosystems Services:** An emerging area of opportunity capable of delivering against multiple Millennium Development Goals is the concept of payments for ecosystem services. Development opportunities and funding support is emerging, such as the UN's REDD (Reducing Emissions from Deforestation and Forest Degradation in Developing Countries) program, to enable individuals and communities to leverage local indigenous knowledge and labour, to undertake natural resource management activities that secure and preserve ecosystem attributes (eg: biodiversity) and functions (eg: carbon storage).
- **Sustainable Microfinance:** The rapid growth in microfinance and variety of approaches has demonstrated positive impact in alleviating poverty in many countries. Notwithstanding this, recent issues have emerged questioning business practices in some sectors and geographies. Building on past experiences, new microfinance models, sector specific services, emerging technologies and enhanced products/services will emerge as this approach to economic development evolves in the future. Regional microfinance networks conceived and fostered by FDC, such as 'Banking With The Poor' and 'Microfinance Pasifika Network', are an ideal means to monitor and encourage best practice and provide early warnings of problem areas. Similarly, at the macro level, the recently announced APEC Financial Inclusion Initiative will provide a useful vehicle to address the legal, policy and regulatory reforms needed to assist the majority of the adult population in many developing economies that remain without access to financial services.
- **Women's Rights:** The Pacific has the world's lowest level of female participation in parliament, and governance in general. In addition, there are high rates of gender based domestic violence, and gender specific vulnerability to the climate change effects being experienced in the Pacific. The Convention on the Elimination of all forms of Discrimination Against Women (CEDAW), signed by most Pacific countries, provides a useful mechanism through which greater focus in terms of policies and programs can be realised. There are practical means to increase women's knowledge of governance and leadership in the Pacific – for example: a successful pilot project trialled by FDC on bottom-up governance leadership for women in the Pacific is now being scaled up with the support of several partner organisations – however further emphasis and incorporation of this issue into development programs is warranted.
- **Social Enterprise:** There has been recent focus and investment on conceiving, designing, testing and scaling enterprises that employ private sector business strategies and operating models to achieve social outcomes. This is a dynamic arena with multiple participants and some notable inclusions of large scale philanthropics and the private sector. Emergent in nature and fast moving, this sector offers opportunity for a more integrated approach to the development and support of these organisations across sectors and geographies. Exploration of regional/country specific programs is required.



- **Australia's National Security and Overseas Development Program:** The geo-political dynamics of our region suggest a need to consider the linkages between national security and overseas development in the context of: AusAID's position within the Government's national security decision-making framework; opportunities to advance Australia's national security interests as a by-product of effective international development programs; and, the future role of civilian agencies in stabilisation missions and other complex security environments. Currently these issues are being addressed and recommendations developed in a joint Foundation for Development Cooperation and Australian Strategic Policy Institute research project.
- **Climate Change:** The Asia Pacific region is subject to a range of climactic conditions that test the capacity and resilience of the existing mechanisms designed to deal with them. Add to this situation the spectre of increased climate variability and adverse weather events due to climate change, and significant effort and investment is required to enable communities, cities, industries and governments to adapt. In both climate change mitigation and adaptation initiatives opportunities arise to drive development outcomes, however to date these are yet to be fully realised.

5) Summary

Enhancing aid effectiveness is an ongoing and continuous process. As presented in this submission, the Foundation for Development Cooperation sees collaboration, systems thinking, learning and innovation as necessary competencies to achieve greater aid outcomes. And, when applied effectively, these competencies can further improve development outcomes through enhanced local ownership, broader private sector engagement and employing evaluation as an enabler for capacity building and learning.

In continually seeking better development outcomes in our region, FDC provides a focal point and a 'safe space' for relevant organisations from across governments, businesses, NGO's, universities, and donor organisations to come together to:

- explore contemporary sustainable development challenges and opportunities and consider innovative policy/program responses
- conceive, design, apply and evaluate innovative sustainable development prototype programs and practices
- build individual and institutional competency and capacity for more effective development outcomes, and
- capture, synthesise and share stories and learnings from innovative approaches to sustainable development in the Asia Pacific region

The Foundation for Development Cooperation is an independent and willing partner with the Australian Government in seeking better sustainable development outcomes. FDC would welcome the opportunity to discuss in further detail with the Review Panel any of the points raised in this paper.