

Review of Selected DFAT Facilities

Independent Consultant Report to DFAT
by Lynn Pieper

Key Findings

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Key Findings

For the purposes of this report, a facility is defined as an aid delivery mechanism that provides flexible (adaptive and responsive) services managed in an integrated way. Objectives (or end-of-facility outcomes) are specified, but the pathways to deliver them are left unspecified.

The facility is a highly relevant model for delivering Australian aid effectively. Achievement of the Sustainable Development Goals depends on flexible approaches that work across sectors and that integrate significant cross-cutting themes such as gender equality and social inclusion. Efficient DFAT management of a \$4 billion aid program requires a shift to fewer and larger initiatives, to make best use of limited internal management resources while still enabling policy and program choices that can have real impact. Facilities and other flexible delivery mechanisms offer significant potential for better development results. They can: enable collaborative and responsive partnership approaches to gain traction; allow activities to experiment and adapt based on progress, demand and contextual changes; and provide the opportunity for outcome-focused coherence across sectors, enabling the whole to be more than the sum of the parts.

Facilities are not new, but they are different today. Facilities have existed since at least the mid-1990s. What is new is that some facilities today are very large; and the flexibility they enable is increasingly and consciously being used to strengthen links between the technical and the political, for more effective development results. This is a positive trend, but it adds enormously to their complexity and visibility, creates new risks, and has resulted in role confusion (especially in early years of implementation) between DFAT and its contractors.

Some key lessons for DFAT and its partners from the sample reviewed here include:

- For facilities to contribute better results than other aid delivery modalities, they need to be carefully structured and very well managed by DFAT. Putting discrete activities under a single contractor is not in and of itself sufficient.
- Far from enabling DFAT staff to adopt a less ‘hands-on’ approach, facilities require intensive and ongoing DFAT oversight, engagement and management of both the development content and the delivery process.
- High quality aid policy development, strategic programming and effective aid delivery depend on fostering and retaining staff who can: engage in deep, content-oriented policy dialogue with partner governments; establish and manage contracts with delivery partners that enable rather than constrain effective aid delivery; and make quality choices about activity focus (and how/when these need to change) that optimise results (effectiveness and value for money). DFAT has some of this, but not enough – in either breadth or depth. As a result, aid management can end up being more transactional than transformational.
 - This is a real concern for the management of facilities, which tend to be especially complex (because of the degree of flexibility that needs to be shaped and managed; the likely need to oversee activity programming and design during implementation; and, in some cases, the higher visibility and political sensitivity that comes with large size).
 - Within DFAT, facility management needs to be put in the hands of staff with the highest level of development and management expertise available. That is currently more feasible in some countries than others and may need closer corporate attention.

- Unrealistic assumptions are being made (some explicit, some implicit) by designers, bidders and DFAT itself about what is achievable over the life of a facility and especially during the inception phase. At present, expectations do not take sufficient account of the many complexities that affect progress. This places added pressure on DFAT staff managing large or otherwise complex facilities.
- Many data problems prevent firm conclusions being made about efficiencies in managing contractor costs. In the absence of more detailed analysis, the available data suggest that facility operating expenses may not in fact be much different to those of predecessor activities. Acknowledging that this may not be a fair conclusion for all sorts of reasons, the fact that it contradicts commonly held assumptions indicates that this is an area in need of deeper review.
- Effective facility management depends heavily on establishing and maintaining trust, open communication and a genuine partnership relationship between DFAT and its contractors. This is not always established early enough but, where it has been achieved, performance issues have been dealt with successfully.
- Careful structuring of the criteria against which management fees are paid can provide a tool for objective assessment of contractor performance at key points, ensuring that DFAT and contractor incentives are balanced appropriately.
- Having a single DFAT position as the point of accountability for facility issues is important, for partner governments and for managing contractors.

Other key messages emerging from this review are summarised below.

Effectiveness: Overall, this review found the selection of facilities to be reasonably effective or showing signs of now heading in a positive direction. But this finding is based on what the review considers could reasonably be expected within the practical realities of the operating environments they have been dealing with; not on the up-front expectations of their designs. Most have experienced significant challenges during inception and this has slowed the process of reaching full implementation. One could argue that this is a failure in effectiveness, but this review considers that the expectations of designers, DFAT and tenderers of what is achievable in inception phases have all been very unrealistic. Regardless, DFAT engagement and contractor goodwill have been essential to getting underperforming or otherwise problematic facilities on track.

Coherence: Although some of the facilities are demonstrating a shift to applying more collaborative approaches and are actively identifying cross-sectoral synergies, coherence remains a potential benefit of the facility model, not a demonstrable one (in this sample at least).

Efficiency: Facilities can free up time for DFAT staff at posts. However, DFAT administrative savings are often offset by the far more complex challenges associated with flexibility, achieving coherence, and the larger size and scope of consolidated facilities. This is higher order work, but it is not reducing the numbers of DFAT staff required, or necessarily freeing their time to focus on broader policy, strategy and engagement, as is commonly claimed at design stage. In any case, most posts have no baseline data against which to assess or compare past and current functions; and comparison may be complicated if the size, scope and complexity of a facility is very different to the previous activities it may have absorbed (as it often is). Regardless, decisions on changing DFAT staff numbers or roles are influenced by many factors and are completely outside the control of a facility. With regard to contractor efficiency, insufficient data

are available on which to draw firm conclusions and the data that are available are contradictory. This suggests the need for more detailed, forensic review.

Monitoring and evaluation: At present, much is predicted or claimed about the benefits a facility model will bring but data are rarely collected systematically to assess whether any of this is actually happening. Given the claims, intentions and justifications made by facility designs (e.g., value for money, administrative cost and time savings, coherence, responsiveness, adaptiveness, and optimisation of synergies that would likely not otherwise have been identified), both DFAT and contractors should be tracking and assessing the performance of the facility itself as a delivery mechanism. Including such outcomes and associated performance measures in M&E frameworks would help to clarify expectations around a facility's effectiveness and efficiency gains.

Recommendations

There are several steps that DFAT can and should take internally to strengthen its aid planning and management systems, capabilities and requirements, so that the potential offered by facilities (and other flexible delivery mechanisms) can be optimised and the risks they present can be reduced.

Recommendation 1: Facility effectiveness – DFAT should develop corporate (systematic) approaches to ensure that:

- (a) All facilities assess *the performance of the facility itself as a delivery mechanism*, examining effectiveness claims around coherence, value for money, adaptiveness and responsiveness in particular – A high level M&E specialist could be engaged to develop some common performance measures to this end.
- (b) DFAT assesses *the effects of a facility on DFAT's own roles and resources* i.e., internal efficiencies, effectiveness and value-adding from use of a facility.
- (c) DFAT draws on *independent* quality assurance expertise for all complex facilities (e.g., technical advisory groups or M&E advisers).

Implementing 1(a) and 1(b) requires specifying the sort of evidence/data that DFAT requires to be collected (by contractors and by DFAT staff) and ensuring it is collected in a form that can be compared across facilities. It also requires the development of incentives that encourage objective reporting of performance issues by staff and contractors. Including such outcomes and associated performance measures in facility performance frameworks will also help to clarify expectations around a facility's effectiveness and efficiency gains. At present, these expectations differ across stakeholders.

Recommendation 2: Facility efficiency – DFAT must develop a robust evidence base for facility management efficiency expectations and claims:

- (a) At minimum, through the specification of at least some common data collection requirements to enable efficiency to be assessed methodically and comparatively in future. This needs to be accompanied by definitional guidance to ensure costs are categorised similarly across initiatives.
- (b) If resources are available, there would also be value in undertaking a serious review of current facility efficiency claims to: resolve inconsistencies in quantitative data; factor in any context-specific reasons for anomalies; ensure cross-facility observations are indeed comparable; and determine whether they are indeed yielding tangible savings of any sort. This would be a forensic exercise in data collection and scrutiny, requiring the active support and engagement of head contractors.

Recommendation 3: Staff capabilities – DFAT must broaden and deepen its internal development expertise if it wishes to manage large, complex and flexible initiatives effectively and assure high quality aid policy development, strategic programming and effective aid delivery that is founded on effective policy dialogue. This will take time.

- (a) For the longer-term, an Executive-led 'blueprint' should be developed and implemented.

In the interim:

- (b) Facility management must be put in the hands of DFAT staff with the highest level of development and management expertise available.

- (c) Consider identifying a single responsible officer for each facility, to clarify lines of communication and decision-making for partner governments and contractors.
- (d) To strengthen policy dialogue capability, incorporate expectations and requirements for external partnership (policy dialogue, engagement) into internal DFAT performance appraisal systems (for country/regional programs, work teams and individual staff) – this should be backed up with mentoring, guidance notes and possibly some formal training.
- (e) Resource the Contracting and Aid Management Division (ACD) to increase its technical and mentoring support and development of guidance notes on best practice approaches.

Recommendation 4: Internal systems and processes – Drawing on lessons learned by current facilities, including some of the ‘best practice’ solutions they have come up with, DFAT should further refine its design, peer review, tendering, contracting and approval processes to ensure, in particular:

- (a) *Role clarity* – DFAT and contractor roles are clear, appropriate (distinct but complementary) and documented as early as possible in the development of a facility initiative.
- (b) *Realistic planning* – Inception phases and their timeframes for achieving expected outcomes are designed realistically and to minimise unnecessary or unforeseen problems during inception – in the past they have been extremely ambitious and have, more often than not, proven unachievable.
- (c) *Adequate resourcing* – Facility management is adequately resourced by contractors, including with active head office back-up during inception and as ‘surge’ capacity thereafter – implementation of 4(b) above will make it easier for DFAT to require this of bidders and to assess tender proposals.
- (d) *Accountability* – appropriate accountabilities are in place and observed by DFAT staff.

Recommendation 5: Information quality – ACD should prioritise (and be resourced for) the provision of expertise and support aimed at improving the quality and consistency of information provided in a range of key documents, to inform optimal decision-making. The recently-released guidance note on facility investments is an important first step. Support for its implementation should include developing over time: standard templates that introduce some key minimum requirements; and documented guidance on facility programming and management lessons that is readily accessible to all staff. At present a lot of valuable information is buried in many documents.

Recommendation 6: Flexibility and coherence – DFAT must take steps to ensure that these are actively managed, including through facility governance arrangements, transparent decision-making criteria, clear performance expectations and assumptions, realistic budgeting and active engagement and monitoring by DFAT posted staff.

Recommendation 7: Defining a facility – DFAT should develop and adopt a clear and simple definition that distinguishes a facility from other flexible delivery mechanisms, along the lines of that used for this review. Doing this will eliminate current confusion about what a facility is, when to use it, and what it is expected to achieve; and it will help put clearer parameters around how facility success is measured in future.