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Accenture Submission

Performance Benchmarks for Australian Aid

February 2014



Australian Government

Department of Foreign Affairs and Trade

1. Executive Summary

During her address to the Australian Council for International Development conference in October 2013, The Honourable Julie Bishop noted that Australian Aid “is a portfolio of investments and like any professional financier, the government will apply a scientific and methodical approach to our investment decisions so we can achieve the greatest outcomes.” Along this vein she also noted the need for “a strong performance culture” and “investment decisions based on effectiveness”.¹

The Minister’s vision presents a unique opportunity to build on data and measures already in place and to further enhance the use of performance benchmarks to oversee the allocation and delivery of the Australia Aid Program. To do this well, will require changes, both within the Australian Government Department of Foreign Affairs and Trade (DFAT) and also within the many entities that are the custodians of implementing Australian aid. Based on Accenture’s global experience working with commercial clients, governments and International development organisations we strongly believe performance benchmarks are an important pillar for driving high quality delivery and that they will be a mechanism to further improve the Australian Aid program. On this basis we offer a few pragmatic suggestions for consideration as DFAT prepares to develop performance benchmarking for the Australian aid program.

This submission aims to provide content relevant for DFAT when considering how they will internally manage the design and roll out performance benchmarking. It is also relevant for DFAT when thinking about how NGOs and other DFAT funding recipients will embed performance benchmarking into their ways of working.

1.1 Accenture Submission

This submission outlines three key areas for the Department of Foreign Affairs and Trade to consider:

1. **Internal and external performance management considerations.** If performance benchmarking of the Australian Aid program is going to be successful and sustainable it must be based on a platform of internal organisational performance management to support benchmarking.
2. **Design and implementation considerations.** In designing performance benchmarking, DFAT has the opportunity to specify a limited number of tangible benchmarks, linked to the Aid strategy and rolled out across the sector.
3. **Benchmark considerations.** DFAT has the opportunity to design a simple performance benchmark approach that can support improvements to the effectiveness of the aid program. Leveraging existing frameworks and insights from others who have done work in this area can be of value.

1.2 Conclusion

DFAT has a unique window in time to enhance the effectiveness of the Australia Aid program with the assistance of performance management and benchmarking. This will only be achieved through a pragmatic and systematic approach for DFAT and those who engage with DFAT to deliver Australia Aid.

¹ The Honourable Julie Bishop, Minister for Foreign Affairs, *Address to ACFID Chairs and CEOs Dinner*, 30th October 2013, http://foreignminister.gov.au/speeches/2013/jb_sp_131030.html, accessed 3rd February, 2014

2. Internal and external performance management considerations

From Accenture’s extensive client work across all sectors, we know that successful organisations invest in developing a standard set of metrics that can be used to manage their organization. Organizations with clearly defined metrics plus a robust set of internal processes and IT systems are able to use data to support decision making about their work at all levels of their organization. The Minister’s focus on performance benchmarks is a great opportunity to drive an internal and external performance management culture within the Australian Aid sector.

To do this well, DFAT and aid organizations need to ensure they have strong internal performance management to meet external performance benchmark requirements. Producing data for external benchmarking without using the data for regular internal performance management is a pointless exercise.

“External accountability without strong internal accountability has little credibility. Without a robust and joined-up planning and performance management process that brings together the contributions of all parts of an international agency, any discussion about external accountability to partners, stakeholders, and beneficiaries is just hollow talk.”²

Performance benchmarking will drive a more effective application of Australia aid if the benchmark data is embedded at all levels in the internal systems and processes of aid sector organization.

2.1 Balancing overhead cost management with internal organisational investment

Development organizations have been through a period of growth, often via restricted income growth and a plateau in unrestricted income. The impact is that organizations are now bigger, with more complex and diverse operating footprints, but they haven’t made the internal investments required to effectively manage their size and scale. They do not have robust internal performance management.

At least in part this is the fault of a sector with an historic obsession with overhead costs. Too many times NGOs chose to forego investment in IT systems and processes to better manage their operations because it is accounted as an ‘overhead’ by donors and the public.

“NGOs have grown into global conglomerates managing, in some cases, hundreds of programs in dozens of countries. While outwardly successful, it’s a pattern of fragmented growth that feeds the programmatic branches and starves the operational core. Individual program “branches” grow without commensurate growth in the “core” management capabilities and systems required to maximize their impact in the most efficient manner.”³

For NGOs to effectively implement DFAT performance benchmarks they must be encouraged to invest in their organizational capacity. To build the IT systems and processes that enable leadership and staff at all levels to capture and use data to monitor and steer the organization. Once in place these organizations can then provide meaningful data for benchmarking their contribution to the Australian Aid program.

² James Crowley & Morgana Ryan, *Building a Better International NGO – Greater than the Sum of the Parts*, Kumarian Press, 2013, page 154

³ Jeri Eckhart Queenan, Jacob Allen, and Jari Tuomala; *Stop Starving Scale: Unlocking the Potential of Global NGOs*, The Bridgespan Group, April 15, 2013, page 4

3. Design and implementation considerations

The Australian Aid program is significantly complex in geographic, thematic and organisational reach. This makes the implementation of improved performance benchmarking challenging but also represents the potential for significant scale of impact if done well. Based on our vast global, cross sector experience, we would recommend considering the following to improve the likelihood of success:

1. **Strategic Alignment:** Benchmarks that are clearly aligned to the Aid program strategy.
2. **Manageability:** A manageable number of benchmarks used to inform decision making. Accepting that it is neither possible nor advisable to aim for 100% coverage.
3. **Sustainability:** Benchmarks that can be manageably generated (eg/ data that does not require significant manpower to generate).
4. **Consolidation:** Benchmarks that can be viewed on different levels and consolidated as required (eg/ Project/program, Country, Region, whole of aid program).
5. **Maturity:** Not all benchmarks are born equal, some already exist, and some are going to take time to capture the information, leverage existing data for quick results.
6. **Implementation:** Implementation can take time! Once benchmarks are defined, it takes time to communicate, understand and implement them at all levels of an organisation.

3.1 Strategic Alignment

Design benchmarks that are clearly linked to the key strategic pillars of the Australian Aid program.

Ultimately benchmark data should support decision making about the implementation of the aid program at all levels and to this end, the benchmarks should reflect the strategy.

3.2 Manageability

Too often the creation of benchmarks becomes an exercise in perfection at the expense of feasibility. Quite simply, performance benchmarking will be impossible to implement if there are too many metrics. For every benchmark defined, consider the different levels at DFAT that may need to work with it (Country, Sector, etc). Consider the sheer number of organisations that work with DFAT to implement the aid program that will have to implement the benchmark. This is certainly a case of less is best. Also, too many benchmarks confuse rather than enable decision making as it presents the likelihood of people being lost in the details.

3.3 Sustainability

Benchmark data captured on a regular basis in an IT system as part of business as usual activities is sustainable. Benchmark data that requires significant manual manipulation each time it is produced is not sustainable. Firstly, it will be produced only when required rather than being data that is used to support decision making and manage the activities of an organization. Secondly, it will be of questionable data quality and difficult to audit.

3.4 Consolidation

Whilst Monitoring and Evaluation (M&E) is the norm for the sector it is project specific and rarely consolidates to a level higher than program. This leaves a gap in M&E consolidate data at the thematic/sector, country, regional or global levels. Effective performance benchmarking for the Australia Aid program would benefit from a select small number of sustainable benchmarks that can be viewed at all levels of the aid program. Whilst this is not applicable for all benchmarks it is worth carefully considering where this might provide the greatest insights.

3.5 Maturity

In designing a new performance benchmark framework for Australian Aid it is inevitable and desirable that some measures already exist. Leveraging parts of existing frameworks such as the Monitoring, Evaluation and Learning Framework for Australian NGOs and the Contractor Performance Assessments is a really good place to start. DFAT may wish to consider introducing the concept of benchmark maturity to help manage the roll out and implementation of the benchmarks. Each benchmark can be categorized to indicate when DFAT expects organizations to produce the data for a specific benchmark for the first time. Benchmarks that are based on existing measures could be considered ‘mature’ with an expectation that organizations produce the information relatively quickly. New benchmarks could be flagged accordingly and have a specific future date deadline by when organizations must be able to produce the data for the first time.

3.6 Implementation

As illustrated in Diagram A below, there is a considerable elapsed time to embed new benchmarks at all levels of an organization. This applies for DFAT but it also applies to the organizations that work with DFAT. The sheer number of organizations, the breadth of their geographic and programmatic footprints means that in reality it will take time to fully implement performance benchmarking for the Australian aid program. Applying the key considerations mentioned above, such as manageability, maturity and sustainability will make the implementation easier. Also making the benchmarks relevant to the day to day operations of a development organization makes it more likely the benchmark will then be used for internal performance management as well as external benchmark reporting.

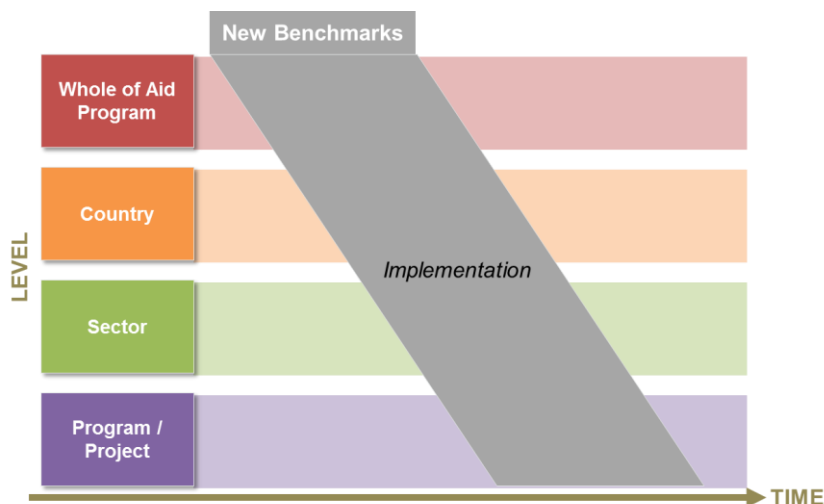


Diagram A – Implementing change in global organisations

4. Benchmark considerations

The selection and definition of benchmarks is challenging and we therefore offer several suggestions, based on our experiences, to help navigate this:

1. **Select a small number of benchmarks (ideally less than 20):** With the launch of the performance management framework timed for the 2014-2015 budget, focus on unveiling a small number of key benchmarks that clearly tie to the strategy. These can be used as the foundation of the Australian Aid Performance Benchmark framework and a smaller number will be easier for all to understand and embrace.
2. **Avoid benchmarking on overheads:** Please do not use organizational overheads as a major performance benchmark of the Australia Aid program (for all the reasons outlined in Section 2).
3. **Leverage existing frameworks and processes:**
 - a. Aid Organisations that receive DFAT funding have started to produce reports based on standard approaches (ie/ Australian Multilateral Assessment; Monitoring, Evaluation and Learning Framework for Australian NGOs, Contractor Performance Assessments) so where possible select key benchmark metrics that already exist.
 - b. The United Kingdom Department for International Development (DFID) has invested in developing their Value for Money framework and this may be something DFAT considers leveraging.
 - c. DFAT may also consider reviewing the work of the UK Independent Commission for Aid Impact (ICAI) which has reviewed DFID's Approach to Effectiveness and Value for Money.⁴

⁴ <http://icai.independent.gov.uk/report-category/effectiveness/> . Accessed 14th February 2014.