Trainee doctor visits a residence to talk about importance of sanitation (Dean Sewell/oculi/Agence Vu for WaterAid/DFAT/Flickr CC BY 2.0)

Facilities deserve a place in development

By Jacqui de Lacy
13 November 2017

There are many ways to build a house. One way is to choose your own architect, surveyor, plumber, electrician, carpenter…. You will get your family a great house, but it will take lots of your time, progress may be slower and you may not be able to control for costs. Another option is to work on the design and simply find a contractor to deal with the details and deliver the house to you at a cost you can afford, while you keep an eye on whether they are delivering on time and on budget.

A debate is emerging in Australian aid circles about different ways of delivering aid programs. Drawing on the analogy above – should Australia's Department of Foreign Affairs and Trade (DFAT) manage lots of smaller separate contracts to deliver development outcomes, or should it combine numerous small projects into a single large contract, managed by a single firm. These big multi sector programs, which are increasingly in use in DFAT's larger aid relationships, are often called facilities. They were the subject of questions by Opposition Foreign Minister Penny Wong and Senator Claire Moore in Australia's Parliament on 26 October (p.53-59; 96-100).

The firm I work for, Abt Associates, is implementing three facility type programs for the Australian aid program, all at various stages of implementation – the KOMPAK program in Indonesia, the Partnership for Human Development in Timor Leste and the Papua New Guinea Governance Facility. I would like to share what we have we learned about facilities in addressing complex development problems.

To assess the merits of this approach it is helpful to recall why DFAT started down the facility path.

The first rationale is to improve **efficiency** in aid delivery – to spend less on the management (car fleets, financial management, procurement and HR systems) so that more scarce aid funds can go into the programs themselves. It is assumed that one slightly larger finance team can do the job that three of four finance teams used to do when the contracts

were all separately managed.[1]

The second rationale is to free the relatively fewer aid management **staff in DFAT to focus on strategy, relationships and performance**, rather than tying up their time in managing lots of smaller contracts.[2] Another efficiency benefit, which often isn't highlighted or measured, is that facilities should also **reduce the transaction costs for partner governments** who are often struggling with their basic delivery functions and have little time to coordinate with lots of different aid programs.

The third rationale, and to my mind the most important, is **to improve the impact** of aid dollars by providing flexibility and incentives for various projects to work together to address complex development problems.[3]

Let me give you a real life example of why this matters. Back in 2013 I went on a trip through West Timor to assess approaches to solving unacceptably high maternal mortality rates. We knew that the best way to help women survive childbirth was to ensure they gave birth in a health facility – where trained staff, referral pathways to hospitals and basic life-saving equipment, such as blood supplies, were available. Australia was successfully investing in a health program that was training midwives and helping the government get medicines to clinics. But two of the four health facilities we visited did not have access to water – any water at all. If you have given birth or attended a birth – you will empathise with the many Indonesian women who decided to give birth at home instead. Australia's health program couldn't solve the water supply problem – it didn't work in water supply in West Timor.

This is just one simple example, but the reality is that many of the problems that need to be addressed to improve outcomes for poor people require a number of government (and sometimes non-government) agencies to work together. A facility approach enables such coordination and cooperation. Incidentally, coordination and cooperation were identified as two major governance objectives in the World Bank's flagship 2017 World Development Report.

Another potential advantage of facilities is that they can operate at a scale to have national influence. While many small programs can solve coordination in one location, the challenge is how does the Australian Government take these learnings to influence national policies so that the impact is not only deep, but also wide. In in the example above, how do we help the national government to make funding more flexible so health clinics or local governments can use funds to fix water supply systems, not just buy medicines, or put more midwives in health clinics?

As someone deeply committed to effective development, the rationale for using facilities is strong. Our focus should not be on whether DFAT should use facilities, but rather the extent to which facilities are delivering on this potential.

From our experience, I think the answer is yes they are – or perhaps more accurately, yes they are, but they could do better.

On efficiency, I have no doubt that facilities are spending less on administration. We don't yet have full information on the baseline – i.e. the management costs of the programs that preceded us. But since Abt took over the contracts, we have been able to realise significant savings. For example, in PNG our firm inherited the car fleets of all the previous projects. We have rationalised the use of cars across the facility and expect to save over a million dollars over the life of the project. By moving all the staff working on the separate projects into one joint office – rather than having them scattered across Port Moresby, we have reduced Australia's spend on rent by around 30%. These savings mean more money can be put into NGO grants, supporting churches and women entrepreneurs and training the next generation of leaders in PNG, including talented female leaders.

On effectiveness, I can also see how facilities are enabling Australia to address problems that would have been impossible in single sector programs. Our programs in both Indonesia and Timor Leste are making major contributions to health by working outside the health sector itself, but *in coordination with the health sector*. In Timor Leste, our water and sanitation team are working to improve water and sanitation services in schools and health clinics. In Indonesia we are working with national and local governments to rapidly accelerate the distribution of birth certificates so poor children can access free health services. In Bima, Indonesia, in the province of NTB, we have helped the Government increase birth certificates of children aged 0-18 from 46% to just over 80%. The learnings of this success are being shared with other provinces.

We are also able to address problems that require action on multiple fronts. For example tackling undernutrition in Timor Leste requires us to support access to clean water and sanitation, to promote positive nutrition messages in the school curriculum, to support pregnant women and new mothers manage their own food consumption and to promote breast feeding of infants. Trying to do this through a whole range of separately contracted and managed single sector programs would be very difficult. An added benefit of bringing projects together is that we are helping bring different government ministries together to collaborate to address these problems.

But, while I can see definite benefits to facilities, they aren't without risks. From my

experience there are four major risks which require our attention:

1. These programs take up a large part of Australia's bilateral aid programs (between 8 and 35%[4]). They are very visible, and this makes them an easy target. They work with many different partners and their scale means interest groups can become very irritated that their "share of the pie" hasn't been delivered. Facilities, together with DFAT staff in country, need to be very adept at managing these high risk relationships and perceptions.

2. Aggregating a range of smaller projects into single larger contracts does narrow the range of firms that can bid for this type of work. Because of their scale, implementing firms and consortiums carry very large financial, administration and programming risks which only firms with large balance sheets and considerable back-office resources can manage. The concern that facilities are crowding out other players needs to be addressed by ensuring more transparency around the volume of aid money that passes through facilities and is being contracted out to smaller firms or provided as grants to Universities and Civil Society Organisations (CSOs). In our Timor Leste facility, for example, over 40% of the total facility budget in 2016-17 was distributed to local and international NGOs. DFAT also needs to ensure they have balanced portfolios in their country programs, so that not all support is going through large facilities.

3. Getting the Monitoring, Evaluation and Learning (MEL) functions within facilities working well is critical. With so much flexibility comes the need for robust processes of testing and validating to ensure that the approach to addressing problems is working. Choosing implementing firms with strong MEL credentials is essential. DFAT is also bringing in independent M&E oversight of the major facilities, and I think this is essential.

4. These big facilities can hide a lot of fragmentation – they can be doing a lot of small things that don't add up to a big impact. There is often strong pressure on the Australian Government by partner governments to do a little bit of everything, and with the management burden taken off DFAT to administer lots of little things, Australia needs to be careful that it is focused on pursuing a strategic approach to solving development problems.

On balance I think that having facilities within the mix of instruments DFAT uses to solve complex development problems makes sense, and the more the community of implementers can share experience and build transparency, the better.

Notes:

[1] *For example, the* [Papua New Guinea (PNG) Governance Facility Investment Design Document](#) *(IDD) notes that "…as a consolidated facility, the PGF is expected to deliver significant efficiency savings for AHC compared with separately tendered programs and projects".*

[2] *The* [DFAT Strategic Framework 2015-2019](#) *focuses on "…enhancing our organisational capability to improve how we work and contribute to government policy-making and the delivery of whole-of-government outcomes". By way of further example, the* [PNG Governance Facility IDD](#) *notes that its creation "…will better position AHC staff to focus on their core responsibilities: policy, facility oversight and strategic stakeholder management and reporting".*

[3] *For example, the* [PNG Governance Facility IDD](#) *notes that "as a more responsive, coordinated, flexible and adaptive modality, the PGF will also increase the effectiveness and cohesion of Australian support in a difficult, uncertain and high risk environment".*

[4] *These percentages have been sourced from publicly available data on the DFAT website. Percentages were calculated using the average annual spend for each facility (based on the total estimates outlined in each Investment Design Document), against the Australian Government's projected bilateral aid budget to each country for FY 2017-18. Total ODA figures were not used.*

About the author/s

Jacqui de Lacy

Jacqui De Lacy is Managing Director of Abt Associates Australia. She is a thought leader on development issues in the Asia-Pacific region, and previously held various positions in the Australian Aid program, including head of AusAid Indonesia, head of the Food Security Branch, Global Crisis Response Coordinator, and head of the PNG Branch in Canberra.

Link: https://devpolicy.org/facilities-deserve-a-place-in-development-20171113/
Date downloaded: 28 March 2024

DEVPOLICYBLOG

The Devpolicy Blog is based at the Development Policy Centre, Crawford School of Public Policy, College of Asia and the Pacific, Australian National University.