2025 Australian aid procurement update

by Estelle Stambolie and Cameron Hill

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President of the Australian Senate, Senator Sue Lines, visited the Tan Cang – Cat Lai Port in Vietnam, which employs VET graduates who were supported by Aus4Growth.
Photo Credit: Facebook/AustralianEmbassyVietnam

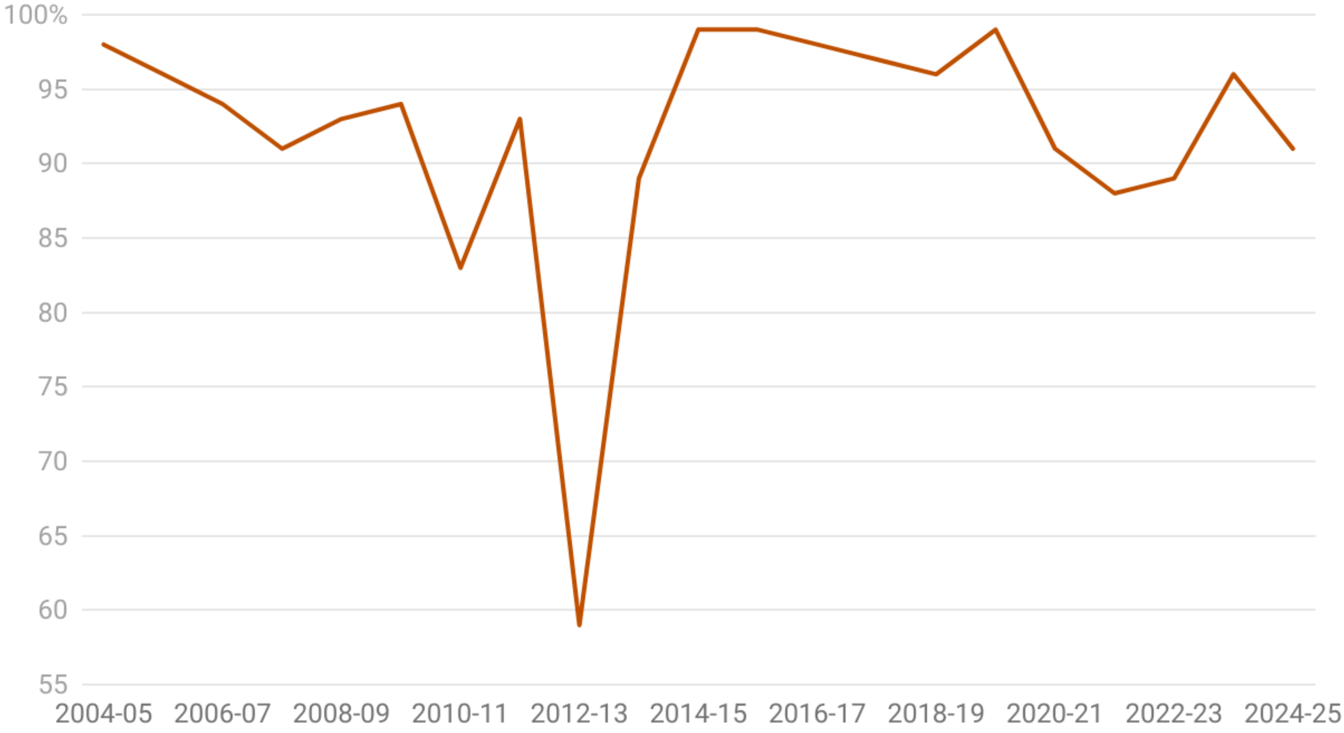
This blog updates the Development Policy Centre's 2022 overview of Australian aid program procurement administered by the Department of Foreign Affairs and Trade (DFAT). In 2022, Huiyuan Liu found that, despite the aid program's being open to international competitive bidding since 2006, Australian-registered (but largely foreign-owned) suppliers dominate DFAT's managing contractor market, and that this market remains highly concentrated. This article supplements her analysis using the 2024-25 Australian aid program procurement data recently published via Austender. As well as updating Liu's examination of market dynamics, we discuss locally led development via managing contractor-delivered programs.

There are three things to note at the outset.

First, in 2023-24 (the latest year for which data are available) commercial contractors delivered 25% of Australia's total official development assistance, up from 16% a decade earlier but still significantly less than the share delivered through multilateral partners (38%).

Second, the dominance of Australian-registered firms has returned after a slight dip during the COVID-19 pandemic. The share of contract awards by value to Australian-registered firms is now back at its long-term average of around 90% with recipient and third country-registered firms still largely confined to competing for sub-contracts (Figure 1).

Figure 1: Share of new Australian aid contracts awarded to Australian suppliers



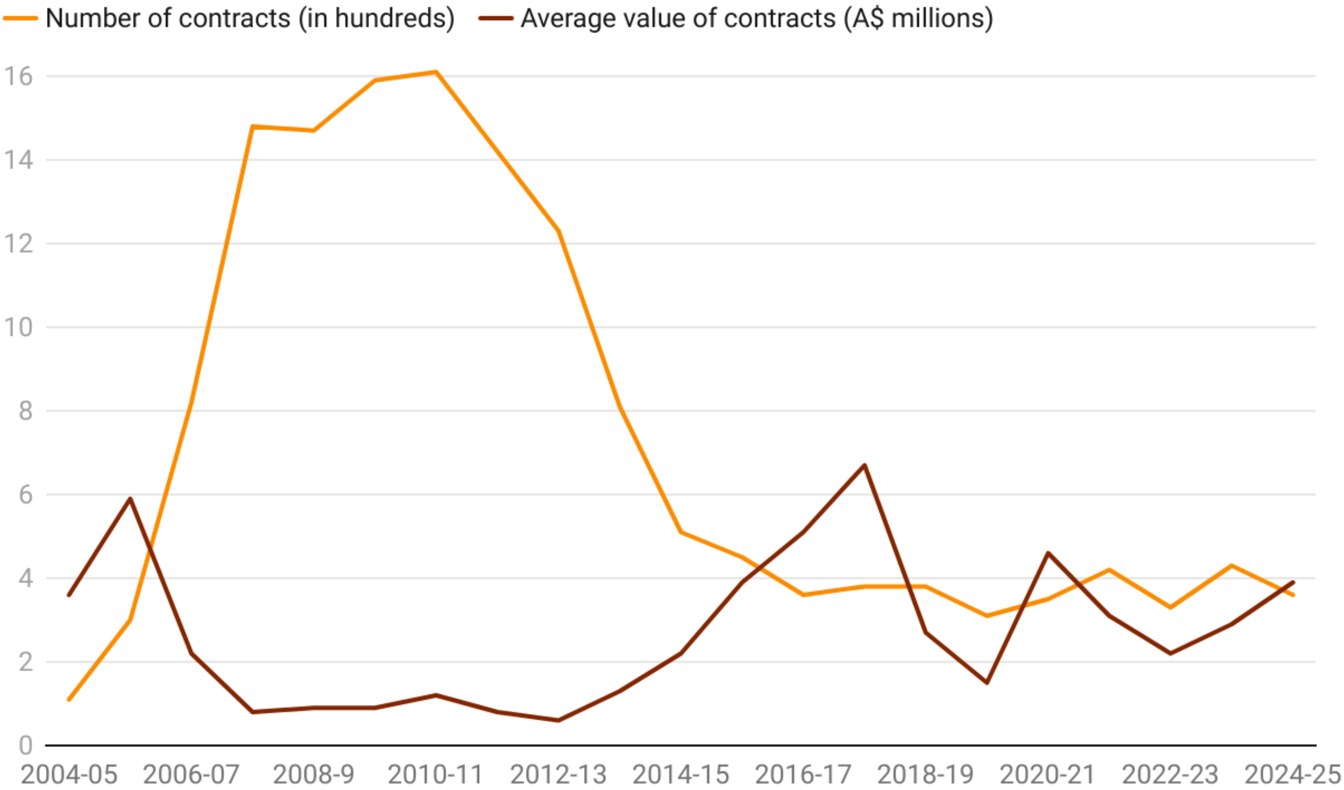
The significant drop in the share contracts awarded to Australian registered companies in 2012-13 is explained by the fact that two companies not registered in Australia at the time, Cowater International (Canada) and the Research Triangle Institute (US), were awarded large contracts in that year.

Source: Author's own calculations from AusTender Contract Notice published data • Created with Datawrapper

Third, the average annual number and value of awards has remained largely stable, noting the inevitable volatility in the latter category associated with multi-year contracts that often have "lumpy" payment schedules (Figure 2).

The overall trend shows a continuation of the progression toward fewer and bigger contracts, particularly when compared with the pre-2013 era, under AusAID administration. This reflects the extent to which aid management and quality functions that were once performed directly by AusAID continue to be outsourced to the private sector via large, "facility"-style programs. In at least one case DFAT has seconded its own officials into senior management roles in a commercially contracted facility that it also oversees, an approach that has had (predictably) mixed results.

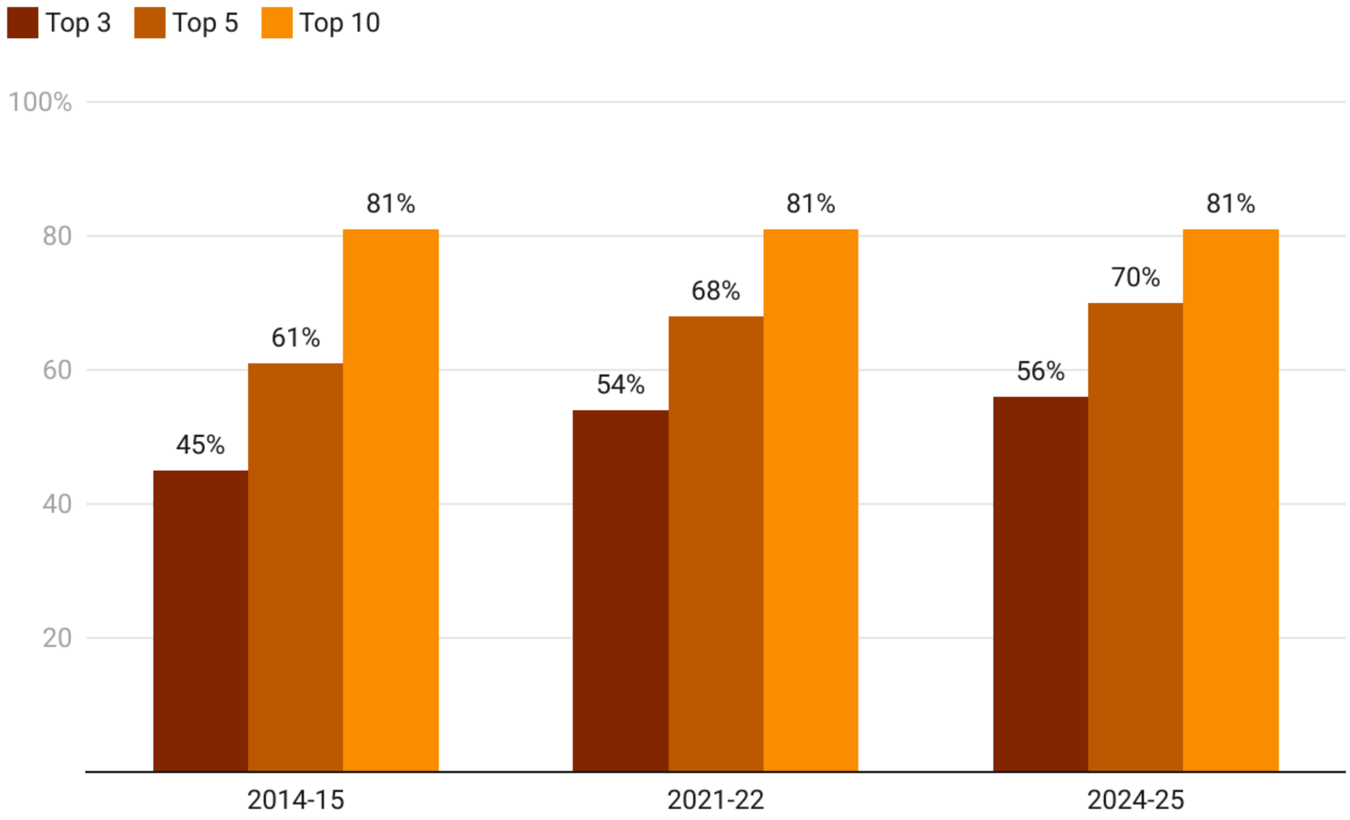
Figure 2: Number and value of new Australian aid procurement contracts



Source: Author's own calculations from AusTender Contract Notice published data • Created with Datawrapper

Looking at concentration — the share of contracts in terms of their average annual value held by the top firms — the trend is one of consistent annual increases in the share of awards held by the top three and top five firms. Both have steadily increased by the equivalent of around 1% per year under the Coalition (2013-22) and under Labor (2022-25) (Figure 3). The concentration among the top ten suppliers has remained around or above 80%. As Liu observed in 2022, this concentration is a function of both the larger contracts being tendered by DFAT since 2014-15 and the smaller size of the contractor market as a result of various mergers and acquisitions over the last decade.

Figure 3: Concentration of Australian aid contracts by average annual value



Note: Average annual value is calculated thus: if, at a point in time, a contractor holds one contract valued at $100m over two years and another valued at $300m over three, the average annual value is $100m/2 + $300m/3 = $150m.

Source: Author's own calculations from AusTender Contract Notice published data • Created with Datawrapper

Turning to competition, there has been virtually no change in the group of firms that comprise the top five over the last decade (Table 1). In 2024-25, DT Global (formerly Cardno/AECOM) was DFAT's largest commercial provider, holding over $2.8 billion in contracts in annual average terms, followed by Abt Associates ($1.3 billion) and Palladium ($922 million). According to one of responses to Liu's blog (from Richard Moore) this lack of diversity might be partially explained by the fact that "profits in the industry are typically low", discouraging new entrants.

Table 1: Top ten Australian aid contractors by value of active contracts

Rank	2014-15	A$ millions	2024-25	A$ millions
1	Cardno International Development (Merged with DT Global in 2022)	1,194	DT Global Asia Pacific	2,837
2	Coffey International (Bought by Tetra Tech in 2016)	1,139	Abt Associates	1,334
3	Palladium International	801	Palladium International	922
4	SMEC International	705	Tetra Tech International Development	882
5	Abt Associates	584	Cowater International	397
6	Vocational Education And Training (Qld) T/A Sunshine Coast Institute Of TAFE	423	Australian Volunteers International	290
7	HK Logistics (Bought by Palladium in 2015)	340	TAFE Queensland	276
8	AECOM Services (Merged with DT Global in 2019)	295	The Trust Company (Australia)	275
9	Cowater International	118	GHD Australia	246
10	Research Triangle Institute	109	Scope Global (Bought by Palladium in 2022)	216

Notes: Includes all active contracts regardless of their starting year and uses the total contract value for multi-year contracts. A company is considered as a separate company if it had not been merged/acquired at the time the contract was received. Note that contract value also includes funds transferred to NGOs through contractors.

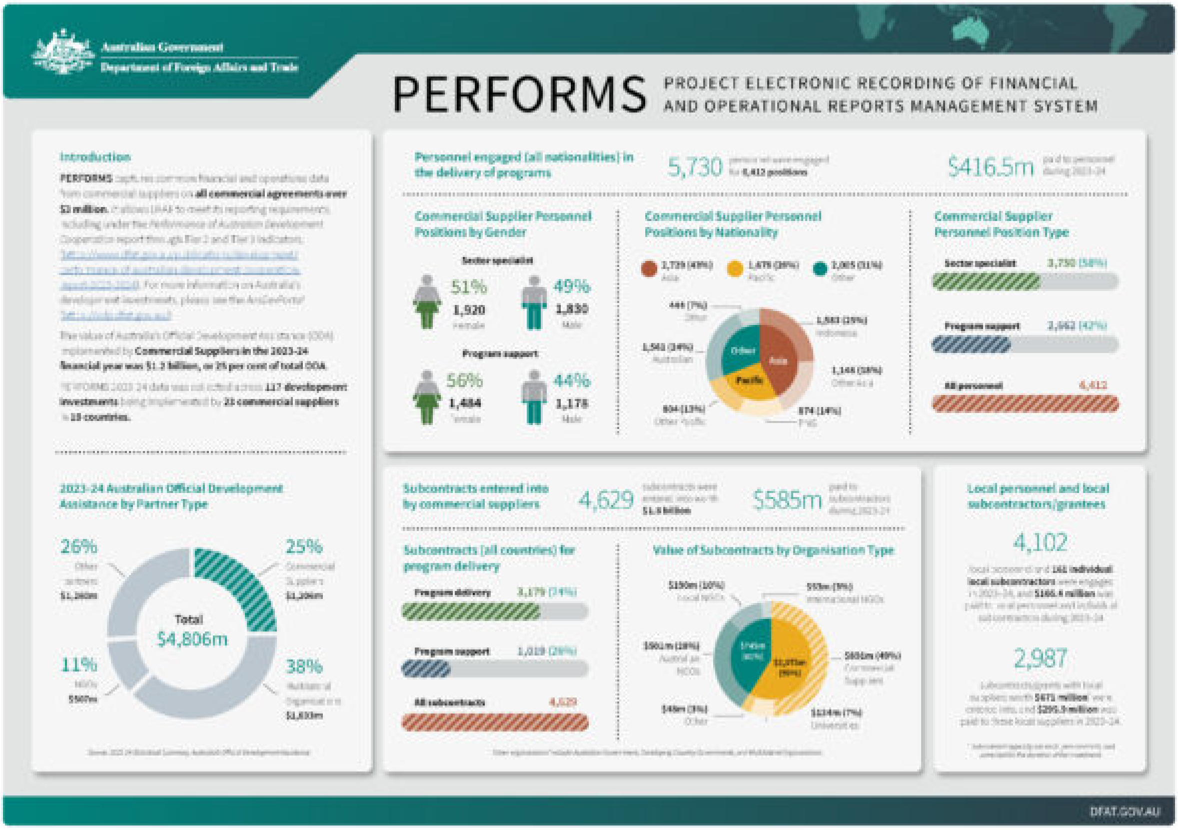
Source: Author's own calculations based on AusTender Contract Notice published data • Created with Datawrapper

There could well be some more competition on the way, given global aid disruptions. The Trump administration's evisceration of the US foreign aid budget has seen the entry of several new, US-based players — Chemonics, DAI Global, the International Development Group (IDG) and the Boston Consulting Group (BCG) — into the Australian market. In December 2024, BCG won a $99 million award to administer a new seven-year phase of Australia's economic governance program in Vietnam. Both Chemonics and IDG have been shortlisted for several current DFAT tenders, including the next phase of the Australia's economic governance program in Indonesia, which is valued at over half a billion dollars over ten years. The arrival of these new entrants could also result in additional mergers and acquisitions.

The Labor government's 2023 International Development Policy promised to advance "locally led development" as a core element of its wider commitment to "changing ***how*** we will deliver development assistance". The continued dominance of foreign-owned, Australian-registered companies in DFAT's aid contractor market raises obvious questions about how this will be reconciled with this commitment to strengthening locally led development.

One DFAT's strategies has been to both incentivise and more systemically track the subcontracting, on-granting and employment opportunities for local companies, organisations and workers that flows from its programs via managing contractors. Earlier this year, DFAT released a new data dashboard which aggregates these statistics across the aid program. DFAT has not set any targets for these metrics but they are embedded in the 2023 policy's performance and delivery framework and are tracked via DFAT's annual Performance of Australian Development Cooperation (PADC) reports.

Figure 4: DFAT financial and operational data dashboard for managing contractor programs



Source: Department of Foreign Affairs and Trade, *Project Electronic recording of Financial and Operational Reports Management System, 2023-24*.

This quantitative approach — which could be augmented with country specific breakdowns, more detail on the seniority of contractors' local employees and downloadable data — is useful. But it is only partial, because it risks conflating "local content" with "locally led development". While DFAT has reported positive results against these indicators, it is hard to claim that they represent a particularly significant change in "how Australia's development assistance is delivered" — commercial contractors have always employed local personnel and purchased local goods and services.

A more difficult set of questions concerns what demonstrable progress is being made against the qualitative dimensions of locally led development — empowerment and agency, sustainable change and mutual learning and accountability. Indeed, in focusing on local content, managing contractors might unintentionally cut across DFAT's locally led development goals by forcing local organisations to compete against one another for project sub-contracts and grants, by artificially raising their labour costs or by subjecting them to duplicative or unnecessary administrative processes and onerous parallel systems. In addition, as Mark Moran has recently highlighted, the question of who is genuinely regarded as "local" by communities in the villages and districts of partner countries is also an important consideration.

These dimensions of Australian aid practice (both intended and unintended) are complex and cannot be captured in a dashboard. DFAT's own policy guidance on locally led development rightly acknowledges this complexity and emphasises the importance of country context in seeking to understand what change and progress might look like — an approach that some managing contractors have mirrored in their corresponding frameworks.

As well as rigorous case studies, independent evaluations and academic research, a useful baseline against which to measure progress against these aspects of locally led development in managing contractor-delivered (as well as other) programs may come from the results of DFAT's inaugural biennial perceptions survey. These results are expected to be published in DFAT's next PADC, scheduled for 2026.

Disclosures:

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Link: https://devpolicy.org/2025-australian-aid-procurement-update-20251121/