

Private enterprise is not development's dark side

Author : Mel Dunn

Date : October 4, 2013

The incoming Government's funding and structural shifts to the Australian aid program have provoked a range of responses. If nothing else, it is pleasing that this topic is being discussed more widely. Even more pleasing is the leadership and balanced writing offered by the Development Policy Centre, especially that of Robin Davies.

We agree with Davies's [assertion](#) that 'bending' the program is the prerogative of the Government but that 'breaking' it is a risk to be avoided.

One aspect that Davies considers is aid quality. He points to this being achieved 'through structured approaches to program conception and design that incorporate contestability and the lessons of experience'. He then suggests that these capabilities are absent in DFAT and should be carefully preserved during the integration process.

Without entering the debate as to where these capabilities should sit within the public sector, we want to emphasise that they do exist within the broader aid implementing fabric, particularly among the private sector managing contractors. Managing contractors have had, and continue to play, an important role in the quality of the Australian aid program.

The incoming Government, and the Foreign Minister in particular, have made no secret of their belief in the value of private enterprises as creators of jobs, and as core to economic growth, with these elements contributing to poverty reduction. Disappointingly, the private sector is still widely perceived as comprising profit-seeking businesses, focusing solely on self and shareholders, and not on aid priorities. This is particularly true of the organisations termed managing contractors.

The private sector does have a range of commercial imperatives. But these are only ever achieved through consistent quality and performance, value-for-money and innovation. By virtue of how the private sector is structured, with many companies being publicly listed and adhering to significant global standards, managing contractors bring significant capabilities in risk management, quality assurance, logistics, project management and administration to the aid program.

I do not suggest that managing contractors are the solution for everything. A good proportion of aid is delivered by other means. But as implementing partners they offer far more than good administration. There is a real opportunity for managing contractors to be engaged more purposively throughout the aid cycle, including where it intersects with trade and diplomacy. Managing contractors have many lessons from experience that can assist with program conception and design; we create jobs across the value chains that aid investments seek to engage; we export culturally appropriate products and services that can inform diplomatic practice.

Should the managing contractors be used for everything in which the aid program seeks to invest?

Certainly not.

Could the aid program benefit from harnessing the core strengths and experiences of managing contractors more extensively?

We believe so.

There have been some efforts to more effectively engage managing contractors to support program conception and design. We welcome this and there is still more that can be done, particularly where significant aid investments are being considered. Invite managing contractors to participate in initial workshopping about an investment concept. Consistently release concept notes and program designs early, and in draft form, seeking input from industry and other interested parties to strengthen the design process. Involve industry in regional/sectoral strategy sessions, to explore where our lessons can inform future investment decisions. All of this can be done while maintaining transparency and contestability.

We are encouraged by the Government's recognition of the role of the private sector. We are also encouraged by the increasing realisation of our value from many within the aid program. As one part of the private sector, managing contractors look forward to continuing their contribution as implementing partners: to promote economic growth, to contribute to the reduction of poverty and to increase the positive impact of the Australian aid program.

Mel Dunn is Chair of [International Development Contractors \(IDC\) Australia](#), which brings together private sector companies who are experienced, innovative and effective in delivering international aid to the world's poorest countries.