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Executive Summary

- In 2013, Australia's Abbott government made the surprise announcement that the country's independent aid agency, AusAID, would be merged into DFAT after a 40-year separation.
- While institutional arrangements varied over the 40-year period, in practice, AusAID and most of its predecessors had a relatively high degree of managerial autonomy. A practical consequence was that neither AusAID nor DFAT were well prepared for integration.
- Following the dramatic shift in aid governance structures, aid management has been greatly decentralised out to country missions. Today, the program relies far more heavily on private contractors to provide services that were once managed internally by AusAID.
- Many diplomats, without any development experience, have been placed in positions with oversight of significant sums of Australian taxpayer money. Former AusAID staff have similarly been placed in diplomatic positions with job descriptions very different from their previous roles.
- Seven years on, there have been some clear benefits to the merger, but those benefits don't seem to outweigh the costs in terms of lost expertise, effectiveness, and most crucially, time.
- As the UK seems committed to merging its own development agency and foreign service, there are clear lessons from Australia:
 1. Take your time.
 2. Maintain clear pathways of oversight and accountability.
 3. Avoid deep integration.
 4. Maintain pathways for development professionals.

Disclaimer

This submission represents the personal views of its authors, Alexandre Dayant and Jonathan Pryke, and may not reflect the broader perspective of the Lowy Institute.

1. Introduction

We welcome the opportunity to make a submission to the Foreign Affairs Committee of the House of Commons of the United Kingdom. This document draws on the authors' perspectives on the merger of Australia's independent aid agency, AusAID, and the Department of Foreign Affairs and Trade (DFAT). The rapid amalgamation of these two organisations without appropriate planning, budgeting, or appreciation of their vastly different cultures and mandates, led to five years of disruption. As the United Kingdom embarks on the merger of its own aid agency and foreign service, there are important lessons to be learnt to mitigate the risks and disorder such a process can bring.

2. Background

In 2013, following the lead of similar pushes by conservative governments in Canada and New Zealand, Australia's Abbott government made the surprise announcement that the country's independent aid agency, AusAID, would be merged into DFAT after a 40-year separation. Citing comparable justifications to those currently being offered by Boris Johnson, the merger took place at a stunning pace, with little or no blueprint or strategy for retaining highly qualified staff, no identification of how the cultures of two very different organisations would be integrated, nor how aid management would be integrated into the department.

At the time of the merger, DFAT maintained a base of 4292 staff, while AusAID had about 2375. AusAID also maintained an operating budget twice the size of DFAT's. The numbers are far more daunting in the case of the UK — the operating budget of the Foreign & Commonwealth Office (FCO) is 20 per cent that of the Department for International Development (DFID), but they have four times the staff. Any merger with such skewed figures runs the risk of turning into a takeover — culturally and structurally — which is what happened in the case of AusAID.

While institutional arrangements varied over the 40-year period, in practice, AusAID and most of its predecessors had a relatively high degree of managerial autonomy. A practical consequence was that neither AusAID nor DFAT were well prepared for integration. Skills required from a diplomat — cable writing, briefings, speeches, and talking points — are different from those needed for development cooperation, which centres on program delivery, including the mastering of planning tools, such as logframes, Gantt charts, and monitoring and evaluation frameworks. Senior diplomats had never had experience managing more than a discretionary entertainment budget, while junior development professionals often had responsibility for millions. When the departments merged, DFAT assistant secretaries suddenly found themselves having to sign off on investments exponentially larger than anything they had ever seen before, without the training or experience to feel comfortable doing so.

Rather than engaging in a 'light' merger, where development and diplomatic responsibilities and oversight were clearly delineated, Australia opted for a very deep integration of aid management into the DFAT system.

Some specialist aid areas remained, but for the most part, aid ended up being managed by country desks. This is a particularly disruptive form of integration that results in a loss of oversight and accountability and, in the short term, an underappreciation of development expertise and development practice. It also resulted in aid being misconstrued as a transactional tool to support diplomatic ends, rather than an important apparatus of long-term diplomacy and relationship building.

Today, DFAT is structured into five groups, serviced by 36 divisions and 85 branches (10 of which sit outside the five groups). Of the 85 branches, more than half have some degree of aid responsibility. This degree of integration has been detrimental to the aid program. Responsibility for overall aid management and performance is too diffuse. Aid also receives too little a profile at the upper levels of management within DFAT. In the past, a critical issue for the aid program was a lack of political responsibility to match its bureaucratic clout and cost to the taxpayer. The experience is now the inverse. There is a dedicated minister responsible for aid and the Pacific (also Assistant Defence Minister), but no streamlined or concentrated responsibility for aid effectiveness at the top of the bureaucracy.

By mid-2015 DFAT cut its staffing complement by about 500 positions, on top of around 280 that had already departed in the months following the merger's announcement, most of whom were former AusAID staff. About a year after the merger, of the 16 Senior Executive Officers that had left, 13 were from the former AusAID. Development expertise was not prioritised under the generalist DFAT structure, and many regional or thematic experts simply had no interest in working as diplomats. Beyond the time and money lost in the merger, the greatest casualty was the expertise — both in country and in AusAID — that had taken decades to cultivate. Recognising its error, DFAT is now trying to rebuild this expertise. Aid professionalism is also starting to be regrown within DFAT, though from a much-diminished base and with a far smaller aid budget. This could have been easily avoided.

Following the dramatic shift in aid governance structures, aid management has been greatly decentralised out to country missions. The program relies far more heavily on private contractors to provide services that were once managed internally by AusAID, namely project design, oversight, and review. Many diplomats, without any development experience, have been placed in positions with oversight of significant sums of Australian taxpayer money. 'WasAID' staff (as they are still affectionately known) have similarly been placed in diplomatic positions with job descriptions very different from their previous roles.

Seven years on, there have been some clear benefits to the merger. The Pacific, often viewed through an aid prism, has had its status elevated within the department, and some of the best new initiatives in the region, such as labour mobility, are a result of a whole-of-government approach. The injection of AusAID staff into DFAT has helped plug the diplomatic deficit that Australia has run since 2000. Diplomats now have a greater understanding and appreciation of the complexities of development, and development specialists have a greater appreciation of the geopolitics operating around them. But do these benefits outweigh the costs in terms of

lost expertise, effectiveness, and most crucially, time? For DFAT, the years since 2013 have been wracked with introversion as the merger unfolded, and the world is not slowing down.

3. Lessons learnt

The immediate impact of the hasty merger of AusAID into DFAT was that it diminished Australia's capacity to prosecute both its diplomatic and development interests. The merged entity was a lesser sum of its parts. Seven years on, DFAT is slowly emerging from this self-inflicted period of introversion. It did not need to be this way. As the UK is committed to merging its own development agency and foreign service, there are clear lessons from Australia.

a) Take your time

The decision to merge AusAID into DFAT came very suddenly after the Coalition took power, and it was expected to be quickly implemented. AusAID, DFAT, and their assorted broader constituents were all caught off guard by the announcement, and the pace at which it was expected to be carried out. This brought unnecessary anxiety and attrition and led to a merging process that failed to appreciate the challenges of diverse cultures and the responsibilities of the two organisations.

The process of merging DFID and the FCO should be measured, consultative, and well planned.

b) Maintain clear pathways of oversight and accountability

Another side effect of the merger in Australia was a loss of bureaucratic accountability for aid performance. While performance frameworks, annual performance results, and other documents are still rigorously compiled, no one within the department is held accountable for performance of the Australian aid program. This is unacceptable, considering the volume of taxpayer dollars being managed by the department. This is not to say that professionals within DFAT do not take seriously their responsibilities, but more accountability is critical.

The new Foreign, Commonwealth and Development Office must maintain clear pathways of oversight and accountability of aid performance, all the way to the top of the organisation. There must be one position at the top of the agency — separate to the Secretary of State — who takes sole responsibility for the aid program and is accountable to ministerial oversight.

c) Avoid deep integration

While there is logic to aligning bilateral programs of diplomacy and development, the UK government should avoid the extreme integration approach adopted by Australia. It was quick, aggressive, and highly disruptive. A more measured approach towards integration, where the widely different skills held by diplomatic and development professionals are respected, would be welcome.

d) Maintain pathways for development professionals

A major structural weakness of the integrated DFAT is that it is no longer an appealing place for aspirant development practitioners to build a fulfilling career. The UK government should ensure that they maintain delineated diplomatic and development pathways. These pathways can, of course, overlap and intersect, but separate pathways are necessary to respect the professional and diverse qualities that diplomats and development experts possess.

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