



Aid Program Performance Report 2012–13 South and West Asia Regional

Key messages

The South and West Asia Regional Program comprises multi-country and trans-boundary activities in eight countries (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka) across multiple sectors.

This Aid Program Performance Report (APPR) summarises development outcomes achieved across the reporting period. These outcomes include:

- > improving food security with 5842 returning internally displaced people in Sri Lanka resuming home-food production through support by the Asian Development Bank's (ADB) South Asia Partnership Facility
- > helping to ensure universal access to reproductive health care through the provision of sexual and reproductive health services to four million people across South Asia by International Planned Parenthood Foundation
- > helping to achieve improved health for an estimated 117 million people living in communities free of open defecation in India through incentives provided by the World Bank Water and Sanitation Program in South Asia.

This APPR also outlines progress in reframing the South and West Asia Regional Program including the transition from a disparate, multi-sectoral, multi-country program to a program centred around two main trans-boundary development pillars – that will amongst other things strengthen partnerships across the region and improve coherence between regional, bilateral and global programs.

Context

Despite strong growth and significant poverty reduction, South Asia remains home to the world's largest number of people living below the poverty line, with 570 million living on less than US\$1.25 per day. While the proportion of people in poverty in South Asia has declined significantly, progress in other areas has stalled. Large, uneven differences exist across countries and poverty and vulnerability are concentrated in lagging sub-regions, namely in border and landlocked areas. Development gains continue to be offset by population growth, weak governance, conflict and natural disasters. Poor people—particularly women—are the most vulnerable.

National performance against the Millennium Development Goals is mixed, and gender inequality is widespread, holding back the region from achieving its full productive potential. Massive infrastructure deficits, particularly in energy and transport, are binding constraints to growth. In 2012, global economic factors reduced agricultural output, and ongoing power shortages slowed economic activity. A high inflation burden, large budget deficits, and a narrowing tax base affected the ability of governments to fund basic services. The region is experiencing heightened instability due to elections in several countries.

In April 2013, the department approved the South and West Asia Regional Situation Analysis. The analysis found that despite a significant decline in the share of the population living in

poverty, South Asia remains the most populous region in the world, with the largest number of poor people. Trans-boundary challenges represent significant obstacles to human and economic development and are preventing sustained poverty reduction in the region. The two main findings in the analysis are that South and West Asia is:

1. one of the most vulnerable regions to climate variability and natural disasters, resulting in long-term water, food and energy security challenges
2. the least integrated region in the world in terms of trade and economic connectivity, with the second highest intra-regional trade costs.

This Regional Situational Analysis underpins the planned transition from a multi-sectoral, multi-country program to a program that addresses these two key development challenges. These challenges affect more than one country at a time, and it is not possible to address them solely through individual national policies and programs. From 2013, the South and West Asia Regional program will therefore focus on:

1. **sustainable development** water, food and energy security
2. **regional connectivity** trade facilitation and infrastructure connectivity.

In 2012–13, the South and West Asia Regional program comprised 23 initiatives covering a range of areas, some with multiple activities. This reflected the historical evolution of the program and the lack of a guiding strategy. Existing initiatives cover health, gender, governance, infrastructure, service delivery and other areas. While there have been some development gains in these areas, the consensus is that Australia's bilateral programs in South and West Asia are better placed to address human development and service delivery needs. We therefore plan to wind up regional initiatives in these areas, which will take until 2015-16. Through the new approach, we will avoid duplication and ensure the South and West Asia Regional Program complements bilateral programs.

The development of new, long-term investments under the two trans-boundary development pillars is occurring in a rapidly shifting organisational context. While our South and West Asia budget was expected to increase significantly to 2015–16, the Regional program's allocation reduced from 2011–12 to 2012–13 by more than 50 per cent (from around \$46.8 million to around \$22.4 million). We have worked hard to revise potential program partner expectations and maintain positive relationships for exploring new work. The large number of aid initiatives continues to require management resources, including managing the completion of initiatives that do not support the two new pillars.

In South Asia, Australia works with multilateral banks, United Nations (UN) agencies, civil society organisations, bilateral donors, and other Australian government departments. As the Regional program evolves to address complex trans-boundary issues, we will draw increasingly on Australian expertise where Australia has comparative advantage, particularly in water resource management and sustainable agriculture. DFAT will need to facilitate coordination between partners to ensure funding gaps are addressed and make sure aid remains effective, particularly as we adopt an innovative approach to aid delivery.

DFAT's new approach relies on our partners to lead the design of our aid investments. We expect them to improve collaboration and share learning across activities. We will seek to optimise impact through engaging in policy engagement and facilitating partnerships.

Expenditure

To align with the Annual Review of Aid Effectiveness, APPRs are moving to financial year reporting. To enable this transition, this APPR reports on January to June 2012 and 2012–13. Activity reporting later in this APPR covers the 18-month period from January 2012 to June 2013.

For January to June 2012, program expenditure covered climate change, sustainable development, health and education and human resource development (Table 1A).

During 2012–13 program expenditure supported sustainable development and regional connectivity, as well as other regional efforts to improve maternal health, strengthen family planning, reduce malnutrition, improve service delivery and support gender equity (Table 1B).

From 2013–14 program expenditure will contribute to a single strategic goal (sustainable economic development), however program reporting will still capture activities contributing to other strategic goals until these programs are completed.

Table 1A Expenditure 01 Jan 2012–30 Jun 2012

Program fund objective	A\$ million	% of program
Objective 1 Climate change	7.88	18.7
Objective 2 Sustainable development	19.906	47.4
Objective 3 Health	12.15	29.0
Objective 4 Education and human resource development	0.673	1.6
TOTAL	40.610	100.0

Source: AidWorks and Statistics Online.

Table 1B Expenditure in FY 2012–13

Program fund objective	A\$ million	% of program
Objective 1 Sustainable development—water, food and energy security	4.567	23.8
Objective 2 Regional connectivity—infrastructure and trade	6.907	35.9
Other —health, crosscutting and legacy programs	7.746	40.3
TOTAL	19.220	100.0

Source: AidWorks and Statistics Online.

Progress towards objectives

Until recently there was no program strategy for the South and West Asia region, and therefore no higher-level regional program objectives. The Regional Situation Analysis, approved in April 2013, now underpins the program.

To reflect the program’s transition, achievements are reported in this APPR against the two development pillars identified in the Regional Situation Analysis:

1. sustainable development
2. regional connectivity.

The APPR also reports against regional initiatives where multi-year funding was committed pre-dating the transition—health, crosscutting and legacy programs.

In 2013–14 DFAT will develop performance assessment frameworks for each pillar enabling more focused reporting in future APPRs.

Australia’s assistance will be partner-led. The department will seek flexible funding arrangements with multilateral organisations, civil society organisations and regional bodies.

We will assess partner effectiveness through the Australian Multilateral Assessment process, and institutional assessments undertaken during investment design. These assessments will incorporate the core requirements of our Due Diligence Framework. Australia will try to influence directly, and work closely with, other bilateral donors to influence multilateral organisations.

The department will also integrate the Regional program with bilateral country programs. Support for managing trans-boundary, sustainable development challenges such as climate variability, for example, complements bilateral efforts in Bangladesh. Support for regional connectivity will fill gaps in some South Asia country programs which primarily focus on social sectors, by addressing aspects of the region’s economic growth agenda.

Table 2 lists the ratings of the program’s progress towards the 2012–13 expenditure objectives.

Table 2 Rating of the program's progress towards the objectives

Objective	Current rating	Previous rating
Objective 1 Sustainable development—water, food and energy security	Green	Green
Objective 2 Regional connectivity—infrastructure and trade	Amber	n/a
Other—health, crosscutting and legacy programs	Amber	Green

Note:

- Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.
- Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.
- Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Objective 1: Sustainable development (water, food and energy security)

Progress against this objective is rated green, reflecting achievements made in existing initiatives and the consolidation under this new program objective made since April 2013.

The program aims to increase water, food and energy security in South and West Asia with particular attention to the needs of the poorest and most vulnerable. Australian support focuses on:

- > promoting trans-boundary water resource management to support water security in the region
- > developing sustainable, climate-resilient agricultural practices to improve food security and livelihoods
- > overcoming energy poverty through regional cooperation on renewable energy access
- > strengthening national capacity to manage climate variability such as in Bangladesh and Maldives to promote water, food and energy security.

Australia is addressing sustainable development in the region through two large initiatives—the South Asia Water Initiative (SAWI) and the International Centre for Integrated Mountain Development (ICIMOD) Water Resources Management in South Asia—and smaller initiatives, including through the department’s Public Sector Linkages Program and Australia

Awards, as well activities under the India Australia Water Science and Technology Partnership and the World Bank Regional Water and Sanitation Program (WSP).

Many fundamental reforms required for water, food and energy security take a number of years before they can demonstrate they are having an impact on people's lives. While impact results cannot yet be demonstrated under these initiatives, the foundations for achieving sustainable development are being established, including through buy in and support from partner governments in the region and wide stakeholder support. Australia will build on these foundations through partnership agreements and arrangements for mutual assessment of program performance under the Sustainable Development Investment Strategy.

More detail on the two large initiatives supporting Objective 1 and addressing sustainable development in South and West Asia—SAWI and ICIMOD Water Resources Management—are provided here for 2012–13.

South Asia Water Initiative (total to date \$9 million; 2012–13 \$2 million)

SAWI, a multi-donor trust fund administered by the World Bank, was established to help tip the balance from potential conflict over water resources to cooperative actions among the seven countries sharing the rivers: Afghanistan, Bangladesh, Bhutan, China, India, Nepal and Pakistan.

The rivers of the Greater Himalayas are a vital resource for South and West Asia. Yet the combination of high poverty and high population density in a largely agrarian society undergoing rapid urbanisation makes it extremely difficult for communities to cope with variations in river flows. The poor are most affected by water-related issues such as contamination, droughts, floods, and water stress. Climate variability is exacerbating the impact of these issues, further undermining livelihoods.

A robust understanding of the hydrological, economic and social dynamics of the Greater Himalayan River basins is needed to ensure effective trans-boundary cooperation and decision making that benefit the poor and secure their livelihoods. But the South and West Asia region has a long history of tensions and it does not have multilateral water basin management mechanisms.

The activities in SAWI Phase 1 (2009–13) led to an encouraging shift in the willingness of South and West Asia countries to engage in discussions on regional water resource management. Through the establishment of the Abu Dhabi Dialogue, high-level, multi-stakeholder informal discussion on water resource management, SAWI facilitated a level of cooperation never before seen in the region. This informal discussion has created an environment in which participants feel comfortable to talk about individual rivers in a multilateral setting. Growing trust among participants is enabling more open discussions on cross-border water issues.

This new cooperation resulted in the prime ministers of Bangladesh and India signing a Framework Agreement on Cooperation in 2011 calling for enhanced efforts in water management cooperation and in broad regional and sub-regional cooperation. Leaders at the 2011 South Asia Association for Regional Cooperation (SAARC) meetings and the Climate Summit for a Living Himalayas meeting in Bhutan also called for enhanced trans-boundary cooperation. Trans-boundary water resource management, once a source of tension, is now emerging as an important focus for regional cooperation. With its non-political status and wide stakeholder support, SAWI is well placed to continue to facilitate greater cooperation on trans-boundary water resource management.

The analytical work undertaken through SAWI has generated an independent evidence base, with new knowledge and capacity helping to inform discussion and cooperation. Knowledge products developed during SAWI Phase 1 include:

- > The first strategic assessment of the Ganges Basin, filling a critical knowledge gap on flood-related information and forecasting. This enables decision makers to make better decisions in areas where the poorest and most vulnerable live.
- > Environmental and social impact studies in the Bangladeshi and Indian sections of the Sundarbans. These provide an evidence base to help inform co-management options that benefit poor communities who live in this world heritage region.
- > A good practice document published on environmental practices in hydropower projects. These practices enable better protection of the surrounding environmental resources the poor depend on for their livelihoods.
- > A social dimensions assessment of climate change in the Ganges Basin. This helps identify appropriate interventions to sustain this fragile ecosystem and its vulnerable population.

To improve reporting on development outcomes, agreement to fund a second phase of SAWI Phase 2 (2013–17) was linked to the need for a results framework to be developed and gender integration strengthened across the program.

SAWI Phase 2 will build on early successes and deepen regional cooperation further. Through increasing knowledge of regional water management issues, improving information sharing, and building capacity of governments and water stakeholders in the region, SAWI will increase regional cooperation in the management of the Himalayan River systems to deliver sustainable, fair and inclusive development that is climate resilient. SAWI is developing a results framework, scheduled to be available by early 2014.

ICIMOD Water Resources Management in South Asia (total \$3 million; 2012–13 \$1.5 million)

The ICIMOD Water Resource Management program is a multi-disciplinary river basin resource management program targeting the Koshi River Basin. The program covers parts of China and targets the poorest parts of India and Nepal. Its overall goal is to contribute to inclusive poverty reduction and enhanced resilience to climate variability by securing and sustaining freshwater ecosystem services.

At an inception workshop held in September 2012, government representatives and other stakeholders from China, India and Nepal met to develop a partnership strategy, a detailed joint work program of activities and analyse development impacts. The workshop highlighted that an integrated water resource modelling framework was needed—one that could be used by all countries. Australia, through the Commonwealth Scientific and Industrial Research Organisation, is sharing knowledge and expertise in water resource management in this modelling work.

Other activities that have taken place since the inception workshop include:

- > Analysis of adaptation strategies used by poor households in the Koshi Basin and development of a baseline report. The baseline is an important tool for identifying priority areas for supporting adaptive livelihood options and monitoring impacts on the livelihoods of the poor.
- > Preparation of a vulnerability assessment framework. This has been applied in China, India and Nepal to help target the poorest and most vulnerable communities as well as inform the type of adaptive programs needed.

Over the next year the program will aim to expand the Koshi Basin Knowledge Network so it can:

- > build on current momentum and demand to establish a regional platform for hazard risk reduction

- > ensure continued advocacy for basin-wide cooperation
- > document local, regional and international best adaptation practices and strategies on improving water storage and water productivity for food security and livelihood improvement
- > assess hydrological impact on major water use sectors under different climate change scenarios
- > continue to develop the integrated water resource modelling framework.

A robust results framework, embedded in program operations in 2013–14, will help ICIMOD articulate wider development impacts.

Related legacy activities

In this year the World Bank Water and Sanitation Program has provided support for decentralisation and improved service delivery, with water and sanitation as an entry point. In India, the national Nirmal Gram Puraskar incentive program for local governments has to date rewarded 28,000 local governments for becoming open defecation free. This translates to an estimated 117 million people now living in communities free of open defecation in India. To ensure the sustainability of these reforms secure access to reliable water supplies is needed.

Objective 2: Regional connectivity (infrastructure and trade)

Currently, only one significant aid initiative contributes to this objective—enhancing regional connectivity through infrastructure and trade development.¹ Progress against this objective is rated amber, reflecting the recent realignment of the initiative to this new objective. As a result of this shift in direction, progress was slower than originally expected.

As with the Sustainable Development Investment Strategy, the department will work with proposed partners, such as the ADB and International Finance Corporation, to develop new activities. We will negotiate partnership agreements with robust monitoring and results reporting frameworks for future annual reporting.

South Asia Region Infrastructure for Growth Initiative

Phase 1—2008–13 (total \$19.5 million)

Phase 2—2012–16 (total \$20 million; 2012–13 \$4.3 million)

The infrastructure gap in South Asia is a major challenge to connectivity and integration within countries and within the region. Infrastructure in South Asia is largely funded and delivered by the public sector with inefficiency leading to poor cost recovery and a lack of maintenance of assets. The private sector’s role is usually restricted to subcontracting during construction since the enabling environment for private sector investment is often not in place.

Infrastructure for Growth programs work across several sectors, including energy, rural development, transport, urban development and water. Activities funded support the enabling environment for infrastructure delivery or facilitate infrastructure service delivery.

¹ In 2011, Objective 2 encompassed improved governance, better service delivery and stronger connectivity as sustainable development. Programs relevant to the previous Objective 2 are reported on in this APPR under ‘Other programs’.

Analytical and advisory services, policy discussion, sector economic work and knowledge management have been key outputs. The initiative has also enhanced the World Bank's ability to engage with partner governments on policy reform.

Initiative results in 2012–13 include:

- > securing increased energy access for Nepal through providing legal advisory services to support the development of the Dhalkebar – Muzaffarpur transmission link, the first major cross-border transmission line between India and Nepal
- > ensuring focus on development impact through facilitating the design of a bridge improvement project in Nepal, financed with a new results-based lending instrument
- > strengthening national capacity to implement social safeguards through the establishment of national centres of excellence in management of land acquisition, resettlement and rehabilitation. The centres are located at BRAC's² Development Institute in Bangladesh and the University of Punjab in Pakistan, and a regional centre at the Administrative Staff College of India
- > improving sustainability of water supply to poor households through identification of – public – private partnership options for multi-village rural water supply systems in Bangladesh
- > strengthening integrated transport policy making through the provision of technical assistance to the Indian National Transport Policy Development Committee.

In April 2012, a second phase of Infrastructure for Growth was established under the AusAID-World Bank Partnership for South Asia Umbrella Trust Fund. The five projects funded are at inception stage. To date these projects have conducted:

- > utility assessments in six Indian states to identify key challenges to institutional reform and capacity building needs to improve energy transmission
- > inception workshops in Delhi, Dhaka, Islamabad and Kathmandu, to inform a regional study on energy security and trade—the study will highlight key domestic policy challenges to be addressed to meet growing regional demand for energy, and propose approaches to regionalisation for further analysis.

From 2013–14, DFAT will consolidate all new and existing aid investments contributing to this objective under its forthcoming Regional Connectivity Investment Strategy. The strategy will include a comprehensive performance assessment framework to track progress of implementation partners. Gender and disability disaggregated data will be collected so we can analyse the impacts of our activities on different population groups.

Other—health, crosscutting and legacy programs

The initiatives described in this section are rated amber. This rating reflects the variable performance of individual activities. We plan to apply lessons learned from these reports in future program design and management of the regional program.

These initiatives were allocated 40 per cent of South and West Asia regional funding in 2012–13.

² BRAC is the largest non-government organisation operating in Bangladesh.

Core funding to the International Planned Parenthood Federation (total \$11 million; 2012–13 \$5 million)

Australia has a core funding agreement with the International Planned Parenthood Federation (IPPF) to implement IPPF's South Asia Regional Strategy 2010–15. With Australian funding, the federation supports five member associations in Bangladesh, India, Maldives, Nepal and Sri Lanka to improve maternal and child health services and sexual and reproductive health services.

Activities address gender-based issues, health system issues, and outreach measures to increase access and sustainability. Interim reporting showed that Australian funding (\$4 million in 2011–12 and \$5 million in 2012–13) has provided:

- > more than 360 000 couple years of protection³, averting around 105 000 unintended pregnancies (a 6 per cent increase from 2010–11 and a 1 per cent increase from 2011–12)
- > more than 370 000 maternal and child health services, averting around 200 maternal deaths and 26 000 maternal Disability Adjusted Life Years⁴
- > almost 4 million sexual and reproductive health services, averting more than 26 000 unsafe abortions.

Our funding to the IPPF under the South and West Asia Regional Program will cease in 2013–14 in line with program consolidation under the two main pillars. DFAT will have an independent completion review completed to consolidate results from the IPPF and ensure lessons learned are fed into the department's global support to the IPPF.

United Nations Office on Drugs and Crimes Project (total \$9.7 million; no funding allocated in 2012–13)

Since 2007, Australia has supported the UN Office on Drugs and Crimes project to reduce transmission of HIV among the most at-risk populations, particularly injecting drug users, in South Asian Association for Regional Cooperation (SAARC) countries. The project assists governments to scale up comprehensive harm reduction, prevention and care programs for injecting drug users and their regular sex partners, through advocacy for initiation, scale-up, capacity building and support of prevention and treatment programs.

The project:

- > improved health care delivery to high-risk populations through supporting 45 centres that provide a comprehensive package of harm reduction, prevention and care programs to drug users and their sex partners
- > improved access to health care by providing treatment services to 1400 people who are part of marginalised populations, including commercial sex workers, injecting drug users and men who have sex with men
- > supported capacity building of governments of SAARC member countries to develop national HIV and drug policies and strengthen their national response to prevent HIV among drug users.

³ Couple years of protection is an estimated protection provided by family planning services during a one-year period, based on the volume of all contraceptives sold or distributed free to clients during that period.

⁴ Disability Adjusted Life Years for a disease or health condition are calculated as the sum of the years of life lost due to premature mortality in the population and the years lost due to disability for incident cases of the health condition.

The project contributes to Australia's overarching poverty alleviation objective by working in target populations that are marginalised, socially excluded and often highly vulnerable. The project came to an end in June 2013.

South Asia Food and Nutrition Security Initiative (total \$5.77 million; 2012–13 \$1 million)

The South Asia Food and Nutrition Security Initiative (SAFANSI) addresses the South Asian Enigma. This is the phenomenon of rapid economic growth with reductions in absolute and relative levels of poverty, but with little progress in reducing food insecurity and under-nutrition. SAFANSI catalyses increased commitment by governments and development partners for more effective food and nutrition-related policies and programs in South Asia.

SAFANSI involves analysis, advocacy and capacity building. To date, SAFANSI has supported:

- > an extensive consultation on gender and nutrition mapping, to target adolescent girls and mothers to identify the impact gender has on trans-generational nutrition pathways
- > development of nutrition action plans and frameworks in Afghanistan, Bangladesh and Nepal
- > the Leveraging Agriculture for Nutrition and Health conference, leading to the Indian Prime Minister announcing government support for a Food and Nutrition Security agenda in India
- > the Pakistan Roundtable Discussion on Agriculture and Water, resulting in government demand for additional analytical work on food and nutrition security.

With consolidation of the regional program, further funding for this initiative will not be provided beyond its expected completion in September 2014.

South Asia Scholarships Program

The Regional program funds the costs of DFAT's managing contractor for scholarships in South Asia. A total of 206 awardees started study in Australia in 2012 and 190 in 2013. Awardees were selected to undertake study in priority fields and disciplines, including in education, health, governance, natural resource management and social protection. Results under the scholarships program are captured in the relevant bilateral APPR.

Returned awardees apply specialised technical knowledge and build links between individuals and institutions within the region and Australia. A tracer study conducted by Coffey International in 2012 found that most scholars return to work in positions in government and NGOs and are generally promoted or placed in better positions compared to their earlier employment. This demonstrates that the South Asia Scholarships Program equips awardees with the skills and knowledge to drive change.

Twelve new regional Australia Awards in water resource management (starting in 2014–15) have been established for applicants from Bangladesh, Bhutan, India and Nepal. Future awards will align with country strategy objectives following a gradual transition while existing scholars finish their awards.

South Asia Public Sector Linkages Program (total \$14 million; 2012–13 \$2.1 million)

The South Asia Public Sector Linkages Program supports the building of links between institutions in sectors that align with bilateral and regional program priorities. Sectors include climate change, education, energy security, governance, health, public sector effectiveness, trade facilitation and water resource management. The program builds capacity to improve the management and delivery of government services in the region.

In 2012, training delivered through the program contributed to:

- > building disaster preparedness capacity of the Sri Lankan Disaster Management Ministry and development of disaster response action plans
- > developing a new system for results-based monitoring in the Nepal Planning Commission.

While funding through the Public Sector Linkages Program came to an end in June 2013, there are 21 existing projects within the South Asia Regional program that will continue with implementation over the next two years.

AusAID⁵ – World Bank Facility for Decentralisation, Local Governance and Service Delivery (total \$7.5 million; no funding allocated in 2012–13)

The AusAID –World Bank Facility for Decentralisation, Local Governance and Service Delivery supports institutional and policy reforms for efficient and accountable service delivery at local level. The reforms target accountability, administrative, fiscal and regulatory frameworks. The facility influences shifts in policy, budgetary allocations, and forms of service delivery, which can lead to new and better services at local level.

The World Bank has identified flexible financing as a key feature, allowing the facility to mobilise funding for requests from governments or for implementation of small projects. A joint end-of-program evaluation in 2013 will identify development impacts, management for results, alignment to the regional program, lessons learned and opportunities for future Australian engagement with the World Bank.

To date the facility has funded 64 activities across eight countries in South Asia – Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. In 2012-13, the facility:

- > Extended the Local Government Service Delivery Program in Bangladesh into Phase 2. This program has pioneered work on local accountability and enabled financing to reach the lowest tiers of rural local governments through unconditional grants. A pilot of social audits is enabling greater transparency in decision making.
- > Focused on improving service delivery through the Emerging Towns Project in Nepal. The geographical spread of this project ensures regional coverage in post-conflict Nepal. A study on urban service delivery in Nepal will be undertaken.
- > Commissioned a study of levels of professionalisation in water and sanitation service technicians in Maharashtra, India. The study and findings led to interest from international and Indian water utility companies to apply a public – private partnership model to implement training and certification programs.
- > Supported the Gross National Happiness Commission of Bhutan to identify infrastructure needs and allocate budgetary resources according to need, through an analysis of poverty statistics and infrastructure data.

The small-scale projects funded can leverage much larger amounts of money. According to the World Bank, the \$7.5 million funded by Australia leveraged around \$21 billion in World Bank lending or proposed lending and funds from clients and development partners.

⁵ In November 2013 AusAID was integrated into the Department of Foreign Affairs and Trade (DFAT). In this report, 'AusAID' is used to refer to the legal name of the funding agreements. 'DFAT' is used to refer to the future aid commitments of the integrated department.

Leveraging is made possible by contributing technical assistance to project preparation documents.

Despite some positive outputs at individual project level it has not been possible to determine the cumulative development impact of the Facility for Decentralisation, Local Governance and Service Delivery in the region. Since our future investments will adopt a ‘partner-led’ design approach we will need to ensure the World Bank and other partners have robust monitoring and evaluation frameworks to track development impact and results.

Australia has had ongoing concerns about gender equality with the facility, as reflected in the independent evaluation conducted in 2012 and our own quality at implementation reports. The World Bank is working to mainstream gender into all of its operations in South Asia.

AusAID – Asian Development Bank South Asia Development Partnership Facility (total \$11 million; no funding allocated in 2012–13)

At strategic level, the ADB is a key player in the South Asia region, with significant influence in identifying, discussing and addressing major development issues with concerned governments. The AusAID – ADB Development Partnership Facility for South Asia finances on an untied grant basis a program of projects including technical assistance operations, components of investment projects, and stand-alone, grant-financed activities.

The facility’s primary objectives are to:

- > advance reforms in selected sectors in developing countries in South Asia
- > promote broad-based and inclusive economic growth in the region
- > introduce innovations in addressing the major development challenges faced by countries in South Asia.

Projects are funded in climate change, education, environment, financial sector development, infrastructure and regional connectivity.

Key results for 2012–13 include:

- > publishing a regional report—*Economics of Reducing Greenhouse Gas Emissions in South Asia – Options and Costs*—to facilitate new policy measures to tackle climate change challenges
- > developing *2040 Strategic Vision*, an integrated, long-term and sustainable transport vision plan endorsed by transport ministries and agencies in South Asia
- > building the gender capacity of 81 government officials in Bangladesh, Bhutan, Maldives, Nepal and Sri Lanka through needs assessments in gender mainstreaming
- > improving food security through the resumption of home food production by 5842 returning internally displaced people in Sri Lanka.

The current phase of engagement with the ADB ends in June 2014. From 2013–14, we intend to partner with the ADB to implement activities under the new regional connectivity pillar. Ensuring a more systematic process for monitoring and evaluating results is built into a new phase of the project is essential for demonstrating development impact. To date this has been a challenge for this program given the small size of grants administered.

Quality at implementation ratings

10 programs were reviewed for quality at implementation in 2012–13, three of which had no further funding committed at the time they were reviewed. The review was conducted in New Delhi in February 2013.

There were no new initiatives in this reporting period.

Quality at implementation ratings did not change markedly between 2011 and 2012, with the exception of an improved rating for the South Asia Scholarships program (linked to management improvements).

Other ratings dropped slightly in 2012–13:

- > SAWI entered a new phase, and the risk rating was reduced from mature to intermediate as the transition to new activities takes place. The continued lack of a results framework for SAWI saw the rating on monitoring and evaluation reduced to four from five. The framework is currently being developed and will ensure gender integration is incorporated.
- > Disbursement of funds under SAFANSI, AusAID–World Bank Facility for Decentralisation, Local Governance and Service Delivery, and AusAID – Asian Development Bank South Asia Development Partnership Facility were slower than expected, resulting in a lower efficiency rating. The World Bank has since recruited new project staff for SAFANSI, which is expected to speed up disbursement of funds. All funds have had their agreement end dates renegotiated to ensure a more realistic timeframe for disbursement.

Five programs received lower scores on sustainability in 2012–13 compared to 2011. This reflects the challenging operating context in South Asia with cross-border discussion on issues such as water resource management still in their infancy. While some policy discussion is now taking place, such as through the Abu Dubai Dialogue on water resource management, this is still in an informal context and not embedded in formal processes. Greater focus will be needed in designing new programs to ensure sustainability is incorporated at the start.

Monitoring and evaluation continued to remain a concern in quality ratings. Only three programs scored good or above on this criteria. Two—World Bank Facility for Decentralisation, Local Governance and Service Delivery and South Asia Public Sector Linkages Program—received less than satisfactory ratings. As new phases of programs are designed or as programs are extended, we will work with partners to ensure results monitoring is considered at the outset.

Five programs—mostly those with a health focus—scored good or above on gender equality. Programs not scoring well in this area are struggling to link program policy focus with impact on beneficiaries.

No programs had their risk rating increased from intermediate in 2011 to mature in 2012–13.

Management consequences

In 2012–13, the regional program began a concerted effort to consolidate from a large number of multi-country initiatives across a number of sectors into support centred around two pillars—sustainable development and regional connectivity. While consolidation will ultimately lead to efficiency gains in program management, it has, in the interim, led to increased workload in managing the legacy activities while designing new programs.

In 2013–14, this pressure will ease with the regional situational analysis now approved and the sustainable development pillar now at implementation stage. There is a need to ensure improved results reporting by our partners.

In particular, the South and West Asia Regional program will:

1. **Engage with partners** to implement the South and West Asia Regional Program Strategy, and strengthen donor coordination and Australian visibility in South and West Asia.
2. **Continue to consolidate the regional program** by implementing the Sustainable Development Investment Strategy and securing approval for a phased design and implementation approach of the Regional Connectivity Investment Strategy.
3. **Improve performance management and reporting** by developing a performance assessment framework for the regional program and undertaking baseline studies for its two pillars.
4. **Build DFAT's capacity to engage in policy discussion** by forming partnerships with key stakeholders as well as training and mentoring new staff, including mobilising the Counsellor Regional Cooperation and Operations (Dhaka) and the First Secretary Development (New Delhi).
5. **Strengthen the links between regional, country and global programs** by increasing collaboration, focusing discussion and reporting on whole-of-department investments to ensure we get maximum results in the region.
6. **Undertake a cluster evaluation of current programs with the World Bank** to inform the design of a new investment in line with the Regional program's two new objectives.

Table 3 shows the most significant risks faced by the regional program, and the management response to each. Management responses are designed to minimise the likelihood and impact of the risks.

Table 3 Risks associated with the program and management actions

Most significant risks	Management response—What? Who? How? When?
Not reaching agreement with implementing partners on partnership arrangements, shared expectations, and levels of engagement by DFAT.	Develop and implement a strategy for engaging partners, and increasing technical capacity in the region.
Lack of DFAT staff resources, particularly technical expertise for policy engagement and to oversee program implementation.	Establish the South Asia Regional Platform (funding for technical expertise under the Sustainable Development Investment Strategy has already been approved).
DFAT not able to negotiate appropriate results reporting with partners (ability to link results at portfolio level to our results framework).	Ensure Canberra-based, DFAT staff understand results reporting requirements and can negotiate appropriate frameworks with partners.
Persistence of legacy programs that do not align with the South and West Asia regional situation analysis.	Increase engagement with DFAT's International Policy and Partnerships Division and thematic areas to ensure the department can capitalise on results achieved.

Annex A

Progress in addressing 2011 management consequences

Management consequences identified in 2011 APPR ⁶	Rating	Progress made in 2012–13
Finalise the South and West Asia Regional Program Strategy and begin to draft an associated performance assessment framework, including liaising with DFAT Climate Change team on available resources to assist.	Amber	Partial. The Regional Situation Analysis was approved in March 2013. The regional team will be turning this into a public regional program strategy. An investment strategy for the sustainable development pillar was finalised and approved in April 2013. The regional connectivity pillar is at concept stage.
Select core development partners to implement the South and West Asia Regional Program Strategy, conceptualise the shape of future partnerships, and maximise donor harmonisation opportunities, particularly with United Kingdom's Department for International Development (DFID)—including contributing to the DFAT – DFID partnership on multilateral effectiveness.	Amber	Partial. Core development partners have been selected for our investments under each of the new regional program's two pillars, and we have identified a portfolio approach and partner-led design. We are still finalising partners for regional connectivity work, in conjunction with other donors.
Devise an approach to manage and communicate about projects to be phased out, as decisions to do so are made.	Green	Completed. Partners have been advised that programs in health and governance will not be funded through the regional program in future, due to program consolidation.
Explore additional administered staffing needs for 2012–16 to ensure effective implementation of the South and West Asia Regional Program Strategy and maximise Australia's influence in selected sectors.	Amber	Partial. The regional program has undertaken a stocktake of its programs and staffing resources, and presented conclusions to the Assistant Director General South Asia Branch.
Improve the integration of the regional program with bilateral country programs, including enhancing communications between all Posts (such as on upcoming events).	Amber	Completed from a communications perspective. Partial from a program perspective
Design an effective and efficient delivery model, that serves as a potential example to other Australian aid programs.	Green	Completed. A portfolio approach for partnership management has been developed and the use of partner-led designs strengthened.
Continue to reorient Australia's development relationship with India to one of partnership, including by phasing out bilateral aid to India and liaising with internal DFAT stakeholders, overseas government departments and the Indian Government.	Green	Completed. Australia – India water partnership, recognition of India's pivotal role in the region, Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) Fund to Department of Foreign Affairs and Trade (DFAT) as Australia becomes Chair.
Explore options for DFAT, such as under our regional and global programs, to support the India – Australia Strategic Partnership and broader whole-of-government interests in India.	Green / amber	Partial. Australia has continued to support engagement with India, particularly as Australia takes over from India as Chair of the IOR-ARC. We will provide an additional \$800 000 over three years for the IOR-ARC Cooperation Fund, to strengthen links between member countries, including India.

⁶ Prior to 2012-13 Aid Program Performance Reports were called Annual Program Performance Reports.

Capitalise on India's growing donor capacity by increasing knowledge on India's development activities, exploring opportunities to cooperate on aid delivery, sharing our experiences on donor issues, and promoting South-South Cooperation.	Amber	Partial. Delhi Post has met with Indian Development Partner Agency. Established India - Australia Water Partnership.
Continue to develop a strategic approach to partnering with multilateral banks to guide regional and bilateral program engagement and improve the reporting provided by these banks so it aligns with internal reporting cycles.	Amber	Partial. A partnership framework with the World Bank is in place and the first meeting held, but some matters are not yet defined, including critical points of engagement and what the 'partnership means to both parties. Improving reporting is likely to be outside the partnership framework and all components of our work with the World Bank need further definition. Partnership with the ADB is necessary but not yet formally progressed.
Amend the contract for South Asia Scholarship Program, integrate scholarships into all country strategies, finalise alumni, reintegrate as well as develop monitoring and evaluation strategies for scholarships, and strengthen South Asia Scholarships Program internal and external communications.	Green	Completed. Note that integration of scholarships into country strategies and alumni strategy is ongoing.
Continue to implement endorsed recommendations from the 2011 Asia Public Sector Linkages Program Review, including starting a re-design of the program and shifting the Asia program team to the whole-of-government branch.	Green	Completed. Note that this new Public Sector Linkages Program activities will not be funded. The program is still relatively resource intensive from a program management perspective.

Note:

- Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.
- Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.
- Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Annex B

Quality at implementation ratings

Initiative name	Approved budget and duration	Quality at implementation	Relevance	Effectiveness	Efficiency	Monitoring and evaluation	Sustainability	Gender equality	Risk management
South Asia Water Initiative	\$15 million	2012	5	5	5	4	4	3	I
	2009-17	2011	6	5	5	4	5	5	M
ICIMOD Water Resource Management	\$5 million	2012	6	5	5	5	3	4	M
	2012-16	2011 (QAE ⁷)	5	4	5	5	5	4	n/a
Infrastructure for Growth	\$20 million	2012	6	4	4	4	4	4	I
	2011-16	2011 (QAE)	6	5	5	4	5	3	n/a
Preventing HIV transmission in SAARC countries	\$9.7million	2012	5	4	4	5	4	5	I
	2007-12	2011	5	5	4	5	4	5	I
IPPF Strategic Plan	\$11 million	2012	6	5	5	5	5	6	M
	2010-14	2011	6	5	5	5	5	5	M
SAFANSI	\$5.77million	2012	6	5	4	4	5	5	M
	2011-14	2011	6	5	5	4	4	5	M
ADB Development Partnership Facility	\$14 million	2012	6	4	5	4	4	5	I
	2006-14	2011	6	4	5	4	5	5	I
World Bank Decentralisation Facility	\$7.1million	2012	5	4	4	3	4	4	M
									I
	2006-14	2011	5	5	5	4	5	4	M
									I
South Asia Public Sector Linkages Program	\$17 million	2012	4	3-4	4	3-4	4	3-4	M
	2009-15	2011	5	4	4	4	4	3	M
South Asia Scholarships Program	\$15 million	2012	5	5	5	4	4	5	I
	2009-15	2011	5	4	4	3	2	5	I

⁷ Quality at entry report.

Definitions of rating scale:

Satisfactory (4, 5 and 6)

■ = 6 = Very high quality

■ = 5 = Good quality

■ = 4 = Adequate quality, needs some work

Less than satisfactory (1, 2 and 3)

■ = 3 = Less than adequate quality; needs significant work

■ = 2 = Poor quality; needs major work to improve

■ = 1 = Very poor quality; needs major overhaul

Risk Management scale:

■ Mature (M). Indicates the initiative manager conducts risk discussions on at least a monthly basis with all stakeholders and updates the risk registry quarterly.

■ Intermediate (I). Indicates the initiative manager conducts ad-hoc risk discussion and updates the risk register occasionally.

■ Basic (B). Indicates there are limited or few risk discussions and the risk register has not been updated in the past 12 months.

Annex C

Evaluation and review pipeline planning

List of evaluations completed⁸ in the reporting period

Name of initiative	AidWorks number	Type of evaluation ⁹	Date evaluation report received	Date evaluation report uploaded into AidWork	Date management response uploaded into AidWorks	Published on website
Collaboration with Multilateral Development Banks in South Asia	ING236/12A156	Independent evaluation	10 May 2012	25 March 2013	25 March 2013	Yes

List of evaluations planned in the next 12 months

Name of initiative	AidWorks number	Type of evaluation	Purpose of evaluation ¹⁰	Expected completion date
1. World Bank Umbrella Trust Fund—South Asia Gender Initiative	INJ955	Mid-term	Examine current implementation, rates of disbursement, management for results and alignment to the program priorities	November 2013
2. World Bank Umbrella Trust Fund—Water and Sanitation Initiative India	INJ037/09B407	Mid-term	Examine current implementation, rates of disbursement, management for results and alignment to the program priorities	November 2013
3. World Bank Umbrella Trust Fund—South Asia Infrastructure for Growth	INK431/12A149	Mid-term	Examine current implementation, rates of disbursement, management for results and alignment to the program priorities	April 2014
4. AusAID – World Bank Decentralisation and support to subnational government	ING236/06A909	Completion report	Final independent evaluation of the program, drawing out lessons and opportunities for future engagement with ADB	April 2014
5. AusAID – ADB Development Partnership Facility	ING236/06A327	Completion report	Final independent evaluation of the program, drawing out lessons and opportunities for future engagement with ADB	January 2014

⁸ completed means the final version of the report has been received.

⁹ Mid-term review, completion report, partner-led evaluation, joint evaluation.

¹⁰ To inform a future phase of program, improve existing program, verify program outcomes.

6. Preventing HIV Transmissions in drug users	INH062	Completion report	Final independent evaluation of the program	January 2014
7. Technical Assessment Group for South Asia HIV/AIDS activities	INH750	Completion report	Final independent evaluation of the program	January 2014
8. International Planned Parenthood Foundation	INJ866	Completion report	Final independent evaluation of the program	June 2014
