



# South Asia development cooperation report 2009

September 2010

This report is the final annual report on South Asia aid program's progress in 2009 towards the objectives of the regional strategy prepared for 2003–07. Reports on the program's performance in previous years are available on the Australian Agency for International Development's (AusAID's) website.

## Context

The South Asia economies have shown considerable resilience and weathered the global financial crisis relatively better than other developing subregions. The impact of the crisis was cushioned by the region's limited financial integration with foreign banks, the resilience of overseas remittances, the modest fall in foreign direct investment inflows, and the strong fiscal stimulus package from governments.

The region is now expected to recover to about 7% in 2010 and 8% in 2011, nearly matching the pre-crisis levels.<sup>1</sup> South Asia remains the least integrated region in the world, in large part due to the diversity of interests in the region and tensions between some countries. Intra-regional trade accounts for 5% of total trade among South Asian Association for Regional Cooperation member economies.<sup>2</sup> Greater regional integration is going to be an increasingly important avenue for future economic expansion.


Before the global financial crisis, South Asia had been making impressive gains on poverty reduction and good progress on many human development indicators. The region reduced its US\$1.25 a day poverty rate from 52% in 1990 to 40% in 2005.<sup>3</sup> Rapid economic growth rates over the past decade (averaging 6.5% from 2000 to 2007) led to these improvements but this was not sufficient to reduce the numbers of absolute poor people. Around 40% of the region's 1.4 billion people still live on less than US\$1.25 per day. A joint report by the United Nations and the Asian Development Bank (ADB)<sup>4</sup> estimated that the global financial crisis could have added 21 million new poor in the developing countries of the Asia-Pacific region. Reducing poverty remains a key development challenge and South Asia continues to heavily influence the global estimates on progress towards Millennium Development Goal (MDG) targets.

<sup>1</sup> World Bank South Asia Economic Update 2010: *Moving Up, Looking East*, World Bank, August 2010.

<sup>2</sup> World Bank South Asia Economic Update 2010: *Moving Up, Looking East*: World Bank, August 2010.

<sup>3</sup> World Bank, Global Data Monitoring Information System, Millennium Development Goals, South Asia Region, viewed 19 March 2010, <<http://ddp-ext.worldbank.org/ext/GMIS/gdmis.do?siteId=2&menuId=LNAV01REGSUB5>>.

<sup>4</sup> Asian Development Bank, United Nations Economic and Social Commission for Asia and the Pacific, United Nations Development Programme, *Achieving The Millennium Development Goals in an Era Of Global Uncertainty: Asia-Pacific Regional Report 2009–10*.



Over recent years, the region reduced under-five mortality rates, increased school enrolments and improved gender equality in primary and secondary schools. However, many challenges remain. South Asia has both the highest rates and the largest numbers of malnourished children. Maternal mortality rates are high in India, Bangladesh and Nepal and the majority of births are not attended by skilled health professionals. Women have only half as many years of schooling as men and almost half of the adult women in South Asia are illiterate. Dropout rates for girls across the region are higher than those of boys. Many women are forced to work in the informal sector, where the pay is low and conditions are poor.

South Asia also faces the most daunting sanitation challenge of any region in the world. Rapid urbanisation across the region is putting more strain on urban water and sanitation systems.

The MDG picture at regional and country levels masks the considerable variations within countries caused by persistent economic and social inequalities based on caste, religion, tribe, ethnicity and gender in India, Nepal, Sri Lanka and Bangladesh.

During 2009, country-specific developments had significant impact on the focus and delivery of Australian assistance in South Asia:

- > **Sri Lanka:** The ending of the 30-year conflict in early 2009 led to a major humanitarian crisis, with more than 300 000 people being internally displaced. While the situation has improved, reconciliation remains a key issue. Through 2009, Australia responded quickly to meet the humanitarian needs of internally displaced civilians, their resettlement and rehabilitation of their communities in the north and east of the country.
- > **Bangladesh:** The election of a democratic government in December 2008 ended a period of a military-appointed civilian government. Bangladesh continues to make significant economic progress but huge challenges remain to improve the delivery of basic services to the poor. Assistance to enhance government capacity is still required and non-government organisations—such as BRAC—play an important role in complementing government efforts in service delivery. Australia continued to put poverty reduction at the centre of development assistance in Bangladesh, with a focus on the poorest and most vulnerable, including women.
- > **Nepal:** Support for the implementation of the Peace Accords remains a critical issue for the stability of the three-year-old democratic government. Political instability continues to further complicate the constitution-making process and reconciliation. Australia focused assistance on supporting access to essential community health services, generating improvements in primary education access and quality—particularly for girls and disadvantaged children—strengthening democratic practices, and improving livelihoods for the rural poor and marginalised groups, including women.
- > **India:** In Asia, Australia moved its relations with India to the forefront with the signing of a strategic partnership. While Australia does not have a bilateral aid program with India, engaging in mutually beneficial areas is a priority. Australia has increased its targeted assistance in energy security and climate change through a whole-of-government approach.
- > **Bhutan:** Positive political and economic reforms are contributing to economic and social development. However, inequalities are still evident between different regions of



the country and social groups. There are also challenges for Bhutan to strengthen governance, develop government capacity to improve service delivery and address youth unemployment. Australian aid is targeting the education and training needs of Bhutan’s government and community leaders, mainly through scholarships and capacity building programs.

- > **Maldives:** While poverty has declined in recent years, development challenges are emerging in terms of climate change impacts, governance and youth unemployment. Australia is moving to increase assistance for climate change adaptation given that this island state is vulnerable to a rising sea level.
- > **Regionally:** Australia has become an observer country to the South Asian Association for Regional Cooperation, consistent with Australia’s desire to enhance engagement in the region. In 2009, AusAID developed an inaugural project with the association to improve agricultural production and food security in South Asia.

AusAID has also moved to strengthen partnerships with international development agencies in South Asia, including the World Bank and ADB in the context of large-scale investments in infrastructure where aid from non-traditional donors (India, China and South Korea) is increasing in the region. Australian aid—through partnerships with international development agencies—could have a catalytic impact in policy and institutional reforms to ensure increasing infrastructure investments in the region achieve better development outcomes for the poor.

Australian official development assistance to South Asia in 2009–10 totalled \$170.1 million, including AusAID’s country and regional program aid of \$152.0 million.<sup>5</sup> At just over 1% of official development assistance in the region, Australia is a modest contributor in South Asia and aid is delivered primarily through partnerships with multilateral organisations such as the World Bank, ADB, United Nations Children’s Fund (UNICEF), United Nations Development Programme and the Joint United Nations Programme on HIV/AIDs. In Bangladesh and Sri Lanka, AusAID provides significant assistance through non-government organisations, both local and international. Australia has moved to cooperate with other donors through sectoral programs implemented in partnership with the host government. Assistance is being provided through sector-wide programs in health in Bangladesh and Nepal and through education in Bangladesh, Nepal and Sri Lanka.

**Table 1: Estimated expenditure under the South Asia Program in 2009–10<sup>6</sup>**

Objective	A\$ million	% of program
1. To promote good governance and contribute to improvements in basic service delivery (with a focus on health, education and natural resource management at the state and community level)	101.4	64
2. Respond, in line with Australia’s capacity, to humanitarian needs and issues of mutual concern to the governments of South Asia and Australia, as they emerge	57.0	36
<b>Total</b>		

<sup>5</sup> Estimated budget outcome figures for 2009–10 in the 2010–11 budget statement.



<sup>6</sup> Anticipated actual expenditure in 2009–10 by objective.

## Progress towards objectives




The Australian aid program in South Asia focuses on reducing poverty through improving service delivery and governance in health, education, water and sanitation and livelihood programs for the poor. Australia also provides assistance in response to major natural disasters, including humanitarian assistance to communities affected by conflict. This focus remained relevant in 2009 as the region continued to be marked by high levels of poverty, economic and social inequalities and conflict.

Table 2 summarises the progress in 2009 towards the objectives of the regional strategy prepared for 2003–2007.

**Table 2: Ratings of the program's progress in 2009 towards the objectives**

Objective	Rating in 2009
1. To promote good governance and contribute to improvements in basic service delivery (with a focus on health, education and natural resource management at the state and community level)	
2. Respond, in line with Australia's capacity, to humanitarian needs and issues of mutual concern to the governments of South Asia and Australia, as they emerge	

Note:

-  The objective will be fully achieved within the timeframe of the strategy.
-  The objective will be partly achieved within the timeframe of the strategy.
-  The objective is unlikely to be achieved within the timeframe of the strategy.

### Objective 1: To promote good governance and contribute to improvements in basic service delivery (with a focus on health, education and natural resource management at the state and community level)

#### Poverty reduction

The South Asia program has a strong poverty focus and is designed to address the needs of the most vulnerable and marginalised living in some of the poorest countries in the world. In 2009, the program explicitly and effectively targeted the needs of women and girls in education, health, food security and livelihoods.

- > **Bangladesh:** In collaboration with a consortium of four donors through BRAC, Australia has helped more than 500 000 people out of extreme poverty over the last four years. The livelihoods of 97 000 extremely poor rural Bangladeshi women and families have been improved through income-generating activities in BRAC's Challenging the Frontiers of Poverty Reduction program.
- > **Nepal:** In collaboration with the Government of Nepal and UNDP, Australia provided training in business, marketing and access to finance to more than 44 000 entrepreneurs from disadvantaged communities. Of those who have gained income and employment opportunities through the UNDP Micro-Enterprise Development Program, 70% are women, 45% are from ethnic minorities, and almost 25% are *dalits* (untouchables). About 66% of the 17 913 individuals who have gained employment are women.
- > **Sri Lanka:** Australia has improved the livelihoods of more than 16 500 poor people dependent on forests and in so doing has enhanced the sustainability of forest management in targeted areas.

## Education

In Bangladesh, Nepal and Sri Lanka Australia targets primary education for the poor and marginalised while providing opportunities for graduates to study in Australia under the Australian Awards. In Maldives and Bhutan, Australia has started to provide assistance for technical and vocational education and training.

- > **Bangladesh:** In partnership with BRAC, Australia has contributed to improved access to primary and pre-primary education for more than 1.5 million children (of these, 65% were girls) who would otherwise not have access to schooling. In 2009, more than 300 000 students graduated from BRAC primary schools with more than 260 000 students sitting for the Bangladesh Grade five terminal examinations with a 96% pass rate.
- > **Bangladesh:** Through a partnership with UNICEF and the Government of Bangladesh, Australia has contributed to improved teacher and classroom quality through financial support for the multi-donor funded Government of Bangladesh Second Primary Education Development Program. In 2009, more than 160 000 teachers were trained in improved interactive teaching methods and 23 127 schools received funds for infrastructure repairs, classroom resources and hiring of assistant teachers. More than 5 million children are benefiting from this support.
- > **Nepal:** In collaboration with other donors, Australia supports the national Education for All program, which has increased net primary school enrolment from 84% in 2003 to 94% in 2009 and improved the survival rate to Grade 5 from 60% to 78% for the same period.
- > **Sri Lanka:** Through a partnership with UNICEF, Australia has increased access to basic education for 134 000 disadvantaged or marginalised children in targeted districts, including training for more than 2000 school officials and teachers to implement contemporary approaches to education in Sri Lanka.
- > **Australian Awards program:** Australia has provided development scholarships and Leadership Awards and short-term training opportunities for students from Bangladesh, Nepal, Bhutan, Sri Lanka, Maldives and India (Table 3). The development scholarship program has traditionally not tracked awardees after they return home. In 2009, work got underway to establish alumni activities in each of these countries and tracking of returnees is planned for 2010.

**Table 3: Australian scholarships by South Asia country and gender, 2009**

Country	Australian Development Scholarships			Australian Leadership Awards (ALA)			ALA Fellowships	Endeavour Awards	Total Australia awards
	Male	Female	Total	Male	Female	Total			
Bangladesh	23	23	46	5	8	13	19	12	90
Bhutan	16	6	22	2	4	6	5	16	49
India	0	0	0	4	1	5	37	55	97
Maldives	8	6	14	0	2	2	13	2	31
Nepal	0	0	0	4	5	9	34	6	49
Sri Lanka	5	5	10	2	4	6	12	12	40
<b>Total</b>	<b>52</b>	<b>40</b>	<b>92</b>	<b>17</b>	<b>24</b>	<b>41</b>	<b>120</b>	<b>103</b>	<b>356</b>





## Health

Improving maternal and child health is a key focus for Australian assistance in South Asia.


- > **Bangladesh:** More than 30 million people in 11 districts, mostly poor women and children, are benefiting from two maternal and child health programs Australia supports in partnership with UNICEF and BRAC. Results from one program showed that between 2007 and 2009, Australia helped to reduce maternal mortality by 13% in target districts in Bangladesh by improving the skills and support systems for 16 200 community health workers and community volunteers to care for women during pregnancy and childbirth.
- > **Bangladesh:** In collaboration with other like-minded donors, Australian support for the International Centre for Diarrhoeal Disease Research in 2009 helped the centre to explore options for transferring cholera vaccine manufacturing technologies and provided outreach to the most vulnerable populations globally. Support also enabled the centre to detect the first cases of avian influenza in Bangladesh through its surveillance program.
- > **Nepal:** Australian support, in partnership with UNICEF, to the Government of Nepal's National Health Program has helped reduce the child mortality rate to 55 per 1000 births (down from 142 per 1000 in 1990), and the maternal mortality rate reduced to 229 per 100 000 live births (down from 281 in 2006). Continued long-term support to the National Vitamin A Program and the Community Based Integrated Management of Childhood Illness Program is saving the lives of 15 000 children every year.
- > **India:** Australian assistance through the Joint United Nations Programme on HIV/AIDs has strengthened public sector capacity to respond to HIV infections in high-prevalence states in the north east by supporting a sub-national office of the National AIDS Control Organisation; and limiting the spread of HIV from intravenous drug use in South Asia by strengthening civil and government capacity and using peer-based interventions.

## Water and sanitation

With funding from AusAID's Water and Sanitation Initiative, preparatory work commenced on identifying programs for increased support from 2010 in Bangladesh, Nepal, India and Sri Lanka. Australia investigated options for future engagement in the water and sanitation sector in Bangladesh. Through a five-year (2006–11) partnership with the World Bank's Water and Sanitation Program, Australia has contributed to improved planning, service delivery and pricing policies in water and sanitation, transport and power supply.

## Governance


Poor economic governance is a serious impediment to inclusive growth and regional integration in South Asia. Australian aid has made a positive contribution to reforms through expanding the breadth and depth of the analytical, policy advisory and advocacy work of the World Bank and ADB. In 2009, Australia's investment has started to act as a catalyst for reforms in areas such as financial management, infrastructure provision, local governance and service delivery.

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- > **Bangladesh:** Support through the World Bank's Service Delivery Improvement Facility for South Asia had a catalytic impact in policy and institutional reforms, improving basic service delivery—including in transport, health and education—at national, state and local government levels. In Bangladesh, the social audit of local government reform program enabled social audits to be conducted in more than 100 local councils, the results of which will help these councils deliver services more efficiently.
  - > **Maldives:** Our partnership with ADB has helped enhance the effectiveness of the internal audit function of line departments to manage risk and improve efficiency, accountability and transparency of public accounting and budget execution. In Bhutan, the simplification of financial rules and regulations has improved financial management and transparency in the budget process at the district level.
  - > **The region:** Through the Public Sector Linkages Program, Australia is improving financial intelligence capacity and reporting (Bangladesh, India, Sri Lanka and Nepal) to discourage money laundering and terrorism financing. In Sri Lanka, about 200 compliance officers across the financial sector were trained in detecting money laundering and terrorism financing, leading to a 20% increase in suspicious transactions reported to the Central Bank of Sri Lanka.
  - > **Nepal:** More than 300 000 people gained an understanding of their democratic rights and responsibilities and can now participate actively in Nepal's nascent democracy. This was achieved through support to the Rights Democracy and Inclusion—delivered in partnership with the United Kingdom Department for International Development.

### Climate change

More than 600 million people depend on water flows from the Himalayas, but climate change and poor water management practices are placing more stress on the livelihoods of the people living in the basin over the coming years. The increased frequency and intensity of extreme weather events have led governments in the region to improve disaster preparedness and introduce climate change adaptation measures to protect water supplies and food security. Australian assistance for climate change activities increased in 2009 and planning initiated for further investment.

- > **The region:** In partnership with the World Bank and the United Kingdom Department for International Development, Australia is assisting improved water resource management in the region through the South Asia Water Initiative. This initiative is also assisting the newly formed National Ganges River Basin Authority in India.
- > **India:** In 2009, with funding from the Asia Public Sector Linkages Program, whole-of-government engagement with counterpart agencies in South Asia (particularly in India) has been supported in renewable energy, energy efficiency and water resource management. AusAID has funded action plans under a Memorandum of Understanding signed between the Australian Department of Resources, Energy and Tourism and five Indian government ministries and a Memorandum of Understanding signed by the Australian Department of Environment Water, Heritage and the Arts and the Indian Ministry of Water Resources. Working relations with The Energy and Resources Institute of India have been established and a successful forum convened in Canberra, Australia, on 'Environment and Energy Security: Bridging the Gap between Research and Policy'. The forum attracted more than 70 participants from government



and selected Australian universities and 5 senior researchers from The Energy and Resources Institute.

- > Bangladesh: Australia started investigating opportunities to increase community resilience to the impacts of climate change through disaster risk reduction activities such as the construction of cyclone shelters. Discussions began with UNDP and the Government of Bangladesh on providing support through the multi-donor funded Comprehensive Disaster Management Program.

## Objective 2: Respond, in line with Australia's capacity, to humanitarian needs and issues of mutual concern to the governments of South Asia and Australia, as they emerge

Following the end of the civil conflict in Sri Lanka, Australia responded quickly to assist the 280 000 people displaced by the fighting. Australia became the second largest donor under the Combined Humanitarian Assistance Program. Australian assistance contributed to ensuring that an overall international response was mobilised, risks such as flooding in closed camps were prevented and international standards of service to vulnerable people maintained. More than \$35 million was provided by Australia in humanitarian assistance for people displaced by civil conflict, including 10 000 metric tons of food aid.

By August 2009, the situation had improved and the internally displaced people began to return home. Australia's assistance turned to recovery and rehabilitation:

- > more than \$6 million was provided for humanitarian demining activities, as an essential first step to allow returnees to return home and rebuild their lives and their communities. The assistance enabled training of 178 manual deminers and clearing of 60 square kilometres of land.
- > \$12 million was provided for 'cash-for-work' grants for 50 000 families to re-establish their houses and sources of income through the World Bank's Emergency Northern Reconstruction Project.
- > \$8 million was provided through ADB's North East Community Restoration and Development Project which helped 30 900 displaced families (benefitting more than 140 000 returnees). These families were given funds to restart livelihoods and establish small businesses.
- > \$1 million was provided for 'shelter or cash grants' to the United Nations High Commissioner for Refugees to help meet the basic needs of more than 3500 families (benefitting around 12 000 returnees) in the initial post-return phase. This included support for modest investments in shelter, mobility and livelihoods.
- > \$10 million was provided through United Nations Habitat for long-term shelter for 14 000 people through the repair and reconstruction of around 3 600 houses in northern Sri Lanka

In Bhutan, we continued to support (\$500,000) the school feeding program of the United Nations World Food Programme for children in remote rural areas. Assistance fed 8000 children and built three kitchens and store rooms in remote schools. In the wake of the





September 2009 earthquake in Bhutan, Australia gave UNICEF a grant of \$1 million to support a three-year program to rebuild community primary schools and restore water and sanitation facilities in 50 schools affected by the earthquake.

## Program quality

AusAID assesses the quality of its programs against a range of criteria—relevance, effectiveness, efficiency, monitoring and evaluation, sustainability and gender. This included some assessments for the South Asia program in 2009.

Of the 28 initiatives that underwent quality assessments, 96% were rated as satisfactory or above on relevance and 80% as effective. This reflects the program's strong poverty focus. The majority of programs demonstrated achievements against stated objectives with information sourced from well-established national performance management systems and the monitoring and evaluation systems of partners such as BRAC in Bangladesh. Many activities rated well on sustainability as they are aligned more closely with partner government programs. The most significant sustainability efforts are the sector-wide programs in Nepal, Sri Lanka and Bangladesh.

Across the South Asia program some good activities are contributing to gender equality and social inclusion: for example, broadening and deepening the definition of 'disadvantage' to geographical and caste disparities in Nepal through the Micro-Enterprise Development Program; focusing on extreme poor and those left out of government schools through BRAC's Basic Education Program in Bangladesh; and targeting female partners of intravenous drug users in South Asia through the United Nations Office on Drugs and Crime.

However, the program still has challenges to address.

- > Our heavy emphasis on working with multilateral partners and through government systems to the extent possible makes it challenging to access adequate program information. With some regional initiatives we could not demonstrate whether the activity was focused on the highest priorities or on what was most relevant and whether it built on earlier success. We will continue to forge closer relations with these partners in planning and policy development and in improving monitoring and reporting.
- > Scholarships remain an important element of Australia's assistance to the region. Work will be undertaken to better track awardees after they return home to improve reporting and increase our knowledge of what happens to returning graduates.
- > The depth and quality of gender analysis varies between initiatives and project partners, and is clearly an area where Australia could add further value to its engagement with partners. In 2010, greater emphasis will be placed on working with partners, especially multilateral organisations, to better track development outcomes for women.



## Next steps

The expected increase in assistance to South Asia needs to be planned and delivered to ensure improved development results and is consistent with Australia's broader policy interests in the region. The South Asia program will develop country strategies for Bangladesh and Sri Lanka in consultation with stakeholders by December 2010. We will update the country strategy for India in 2010. We will also prepare a country strategy for Nepal and a South Asia regional strategy, which will include Bhutan and Maldives, by June 2011.

It is recognised that monitoring and evaluation systems in the South Asia program need improvement. In preparing new country strategies and a regional strategy, we will give high priority to developing robust performance assessment frameworks to help us better track and report on performance.

Through the new management arrangements for the scholarship program we will improve reporting and increase our knowledge on returning graduates. In 2010, we will give high priority to linking the scholarship program to country program objectives. A tracer study of returnees will be completed in 2010.

We will undertake a review of gender in the South Asia program to record lessons learned and maximise development impact.

AusAID supports activities that aim to strengthen efforts to combat public sector corruption, which is prevalent in its multifarious forms in South Asia. We will consider developing an anti-corruption action plan for the program to guide our response to corruption and reduce corruption risks to Australia's aid program.