

SOUTHEAST ASIA ECONOMIC GOVERNANCE AND INFRASTRUCTURE FACILITY

Investment Design Title:	Southeast Asia Economic Governance and Infrastructure Facility (The Program)		
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Acronyms and Abbreviations

ACMECS	Ayeyarwady-Chao Phraya-Mekong Economic Cooperation Strategy
ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
AIPEG	Australia Indonesia Partnership for Economic Governance
AQC	Aid Quality Check
ARF	Adviser Remuneration Framework
ASEAN	Association of Southeast Asian Nations
AUD	Australian Dollar
CCI	Climate Change Initiative
CSO	Civil Society Organisation
DFAT	Department of Foreign Affairs and Trade
DRRCC	Disaster Risk Reduction and Climate Change
EOPO	End of Program Outcome
G2G	Government to Government
GDP	Gross Domestic Product
GESI	Gender Equality and Social Inclusion
GfD	Governance for Development
GoA	Government of Australia
GPF	Government Partnership Fund
ICN	Investment Concept Note
IDD	Investment Design Document
IFC	International Finance Corporation
KIAT	Indonesia Australia Infrastructure Partnership
M&E	Monitoring and Evaluation
MC	Managing Contractor
MDB	Multilateral Development Bank
MEF	Monitoring and Evaluation Framework
MEL	Monitoring, Evaluation and Learning
MOU	Memorandum of Understanding
NGOs	Non-Governmental Organisations
ODA	Official Development Assistance
ODE	Office of Development Effectiveness
OECD	The Organisation for Economic Co-operation and Development
OECD-DAC	Organisation for Economic Co-operation and Development's Development Assistance Committee
PIDG	Private Infrastructure Development Group
PPP	Public Private Partnerships
PROSPERA	Australia Indonesia Partnership for Economic Governance
QII	Quality Infrastructure Investment
SAT	Strategic Advisory Team
SEA	Southeast Asia
ToC	Theory of Change
ToRs	Terms of Reference
VfM	Value for Money

Key data

Countries:	Indonesia, Philippines, Vietnam, Thailand, Malaysia, Cambodia, Laos, Myanmar, Timor-Leste and ASEAN
Activity Name:	Southeast Asia Economic Governance and Infrastructure Facility
Program:	Government to Government Partnerships
Location of Activity:	The Partnership Hub will be located in Bangkok. Relationships with Australian government agencies will be supported by DFAT Canberra. Technical, logistics and administrative support in Australia and Southeast Asia will be provided by the managing contractor.
Counterpart Agencies:	Infrastructure governance related agencies in Southeast Asia.
Implementing Agency:	Hybrid model: DFAT to provide strategic leadership, including leading on G2G partnerships and contractor to implement in partnership with Australian Government agencies
Goal:	Quality infrastructure development that drives inclusive growth in Southeast Asia
Key Outcomes Sought:	Improved decision-making towards quality infrastructure underpinned by strong government-to-government partnerships
Key Dates:	Implement from FY 20-21 to FY 23-24 (four years initially with the intention to extend by four years, subject to funding and review)
Cost of Activity	A\$53.9 million over four years

A. EXECUTIVE SUMMARY

The intent of the investment is to **help improve infrastructure decision-making in SEA partner countries by building and enhancing government to government partnerships.**¹ Indonesia, Philippines, Vietnam, Thailand, Malaysia, Cambodia, Lao PDR, Myanmar, and Timor-Leste have significant infrastructure development gaps. While SEA countries are prioritising infrastructure development, infrastructure governance remains a major challenge. Poor infrastructure governance is also a major constraint to increased private sector investment.

Australia has extensive experience in the development of infrastructure and is recognised across the region as having reliable systems of project governance that deliver quality outcomes. Australian infrastructure sector agencies are well-placed to partner and share their experience with Southeast Asian counterparts and regional bodies, including by working with the Association of Southeast Asian Nations (ASEAN). Fieldwork identified demand across all nine countries to learn from Australian governments' experience. There was strong interest in government-to-government (G2G) partnerships that can provide policy advice and experience, beyond the significant technical assistance already available to the region.

There are opportunities to establish long-term relationships at leadership and technical levels so that Australian agencies become trusted advisers on infrastructure matters. It will be important to focus on areas where Australian agencies have identified expertise, where there is momentum to pursue reform and where there is demand for engagement. Three thematic areas meeting these criteria have been identified:

- › **planning and prioritisation,**
- › **procurement implementation support,** and
- › **sector policy and regulation.**

Disaster risk reduction and climate change (DRRCC) as well as gender equality and social inclusion (GESI) considerations have been identified as critical to maximising the positive impact of infrastructure and achieving sustainable growth and development.² The importance of these factors was recognised most recently through the G20 Principles for Quality Infrastructure Investment (June 2019)³ and also in other key declarations relevant to the region, notably the Vientiane Declaration on Promoting Infrastructure Development Cooperation in East Asia.⁴

The Southeast Asia Economic Governance and Infrastructure Facility ('the Program') responds to this context.

The Program's **goal** is to contribute to '*quality infrastructure development that drives inclusive growth in Southeast Asia*'. The **end-of-investment outcome** is '*Improved decision-making towards quality infrastructure underpinned by strong government-to-government partnerships*'.

To achieve this outcome, the Program will provide four 'services' that mutually support each other. They are:

- › **Government to Government (G2G) Partnerships**, where regular transfer and exchange of knowledge and experience takes place through direct long-term relationships between government agencies.
- › **Technical Assistance** provided to government agencies under the umbrella of an Australian government agency and/or Post.
- › **Quick Response** using in-house **specialist Lead Advisers** to provide rapid advice on demand. These in-house advisers will also support development of G2G Partnerships.
- › **Regional Learning and Networking** bringing together Australian and SEA agencies to either address specific technical issues or provide a forum for senior officials to discuss infrastructure governance issues.

1 The program will focus on challenges faced by SEA national government agencies' in the economic infrastructure sectors (e.g. transport, water and sanitation, flood protection, energy and telecommunications etc.) Initial analysis showed extending the Program to cover sub-national and social infrastructure issues created an additional level of complexity and scope that was beyond the resources of the Program.

2 For the purposes of this document climate change includes both adapting to the adverse impacts of climate change and mitigation through reduced greenhouse gas emissions. Disaster risk reduction aims to both prevent new and reduce existing disaster risk, strengthening the resilience of people, systems and approaches. GESI includes Indigenous peoples.

3 See: https://g20.org/pdf/documents/en/annex_01.pdf.

4 See: <https://dfat.gov.au/international-relations/regional-architecture/eas/Documents/vientiane-declaration-on-promoting-infrastructure-development-cooperation-in-east-asia.pdf>

A priority will be to link implementation of the Program to Australia's existing bilateral, regional and global programs. Resources will be dedicated to supporting coherence between the Program and other Australian investments, including those through ASEAN.

The Program will be implemented using a hybrid management model. A DFAT officer as Program Director will lead the Program, implement and manage strategic direction and manage G2G relationships. Under DFAT's direction a managing contractor will provide Lead Advisers and logistical and partnership support services. A 'one team approach' will be adopted. DFAT and contracted staff will be co-located.

Program activities will be initiated through direct requests from partner governments including ASEAN, Australian Government agencies, DFAT posts, multilateral development banks (MDBs) or the Program itself. Activities will be screened against a set of criteria that include impact, political will, and GESI and DRRCC integration. Activities will be undertaken with the intent of catalysing a longer-term G2G partnership. Where activities are part of an ongoing G2G partnership, Lead Advisers will provide guidance on program development. DFAT and the G2G partners will be required to agree on all proposals. The Program will also establish relationships with key third-party country agencies and programs (e.g. US, Japan and ROK) to share information, coordinate and collaborate where opportunities arise.

The Program will support and enhance Australia's existing relationships with SEA governments and ASEAN. DFAT posts will play a critical role, with support from the Program. Support will vary across the nine posts depending on capacity and posts' bilateral priorities.

To report progress toward outcomes and inform program management decisions, the Monitoring and Evaluation Framework (MEF) will consist of five specific components: country-level monitoring, SEA partnership monitoring, program monitoring, SEA partnership evaluation, and program evaluation. As part of the Program's inception and start-up activities, the managing contractor will develop, under the guidance of the DFAT Program Director, an M&E manual to further specify and operationalise the framework.

The Program will integrate GESI and DRRCC considerations into all activities. Specifically, the Program will integrate GESI and DRRCC into its three thematic areas. The Program will have full-time GESI and DRRCC adviser resources that will work with other lead advisers to achieve this ambition. All advisers will have GESI and DRRCC incorporated into their terms of reference.

The Program will require an indicative budget of \$53.9 million (2020–2024). Reaching maximum yearly expenditure will take time. It is estimated that in the first year the Program will require approximately \$9.6 million and this will rise to \$15.8 million in the fourth year.

The Program's activities will be implemented in partnership with Australian state and federal government agencies with support from a managing contractor. The managing contractor will report to the DFAT Program Director.

B. DEVELOPMENT CONTEXT AND SITUATIONAL ANALYSIS

Infrastructure investment is a crucial driver of economic development. Increased transport investment, for instance, can produce long-term economic gains by reducing trade costs and integrating markets. This has the potential to transform the economic landscape in poor, remote regions that have high trade costs. Increased access to essential services can reduce inequality, foster inclusion and support poverty reduction efforts.

However, the quality, quantity and accessibility of economic infrastructure is not where it needs to be. The ADB has estimated Asia needs to invest US\$1.5 trillion in infrastructure annually until 2030 to maintain its growth momentum. An additional US\$200 million per year is required if climate mitigation and adaptation costs are included.⁵ If not addressed, these gaps in infrastructure development represent a potential threat to economic growth and regional stability.⁶

⁵ ADB (2017) Meeting Asia's Infrastructure Needs.

⁶ ESCAP (2017) Infrastructure Financing Strategies for Sustainable Development in South-East Asia " Sub-Regional Study / Paper.

In most countries in SEA, issues exist around the identification, design and implementation of infrastructure projects. Poor infrastructure governance raises the cost of infrastructure, reduces the participation of the private sector and reduces funding for other priorities. To increase investment and bridge the infrastructure funding gap countries must tackle several interrelated problems related to infrastructure governance, including the regulatory environment, planning, project selection, financing, and implementation.

Infrastructure governance⁷ issues in Southeast Asia

All Southeast Asian countries have in recent years prioritised infrastructure development. For example, the Philippines has targeted this policy priority through their ‘build, build, build’ approach and Indonesia’s recently re-elected President has made infrastructure a flagship focus for his second term. Domestic priorities have driven much of this. However, an important catalyst has been China’s Belt and Road initiative and the region’s response, including by developed countries. Japan, Korea and others have increased their infrastructure activities in SEA, as has the US.⁸ Nonetheless all nine countries within the scope of this investment (Indonesia, Philippines, Vietnam, Thailand, Malaysia, Cambodia, Lao PDR, Myanmar, and Timor-Leste) have significant infrastructure gaps and capability challenges in delivering and improving infrastructure.

The infrastructure governance issues across the nine countries varies.⁹ This variability is driven by levels of development, size, geography, and government investment priorities and capabilities. Table 1 groups the countries together based on their relative level of development, infrastructure stock and ecosystem maturity, the key issues they face, type of ODA relationship with Australia and type of approach that will have impact.

While there are differences, there are also commonalities across all groups. These include challenges around Public Private Partnerships (PPPs), procurement implementation, infrastructure prioritisation and planning, and the lack of DRRCC and GESI integration.

Table 1 Country groupings

	Group A Malaysia, Thailand	Group B Indonesia, Vietnam, Philippines	Group C Cambodia, Lao PDR, Myanmar, Timor-Leste
Overall economic development	– Middle income	– Rapidly developing	– Less developed
Existing stock of infrastructure	– Relatively well-developed base of energy, transport and water services, but with some gaps in rural areas	– Significant assets in place (especially serving largest urban centres), but enormous infrastructure needs given challenging geography and high risk of ‘bottle-necking’ future economic growth	– Pockets of well-developed assets (e.g. power generation in Lao PDR, port in Timor-Leste), but significant gaps overall in all infrastructure sectors
Maturity of infrastructure ecosystem	– Established – an effective framework and set of institutions has already evolved – Selective gaps in regulations, systems and practices, e.g. lack of competition in procurement	– Evolving – parts of the ecosystem are developed (at least on paper), with institutions developing capacity – Pockets of well-developed practices e.g. planning, procurement, sector policy, but not institutionalised	– Immature – new frameworks in place in some areas, and thin capacity in most institutions (with heavy reliance on Official Development Assistance (ODA))
Typical issues faced in infrastructure development and management	– Increasing awareness of need to incorporate GESI and DRRCC issues – Governance: e.g. increased transparency – Competition and contestability	– Natural hazard risk, including climate change, high due to geography – Significant funding shortfalls driving need for improved project prioritisation and use of private sector capital	– Few established methods for understanding GESI and natural hazards, especially climate change – Lack of economic resources for users to pay for services

⁷ For the purposes of this document, the term “Infrastructure Governance” refers to the policy, regulatory and institutional environment that informs and directs decisions regarding the development, delivery and operation of economic infrastructure.

⁸ See: <https://asia.nikkei.com/Politics/International-relations/Japan-makes-infrastructure-push-into-Southeast-Asia> and <https://www.cnn.com/2018/07/31/australia-japan-join-us-infrastructure-push-in-asia.html>.

⁹ See for example: <https://www.gihub.org/about/about/#/> For description of gaps by country and sector.

	Group A Malaysia, Thailand	Group B Indonesia, Vietnam, Philippines	Group C Cambodia, Lao PDR, Myanmar, Timor-Leste
	<ul style="list-style-type: none"> – Quality and lifetime cost: e.g. upgrades, managing maintenance – Consumer and service delivery issues 	<ul style="list-style-type: none"> – Inconsistent governance (e.g. legal and regulatory) environment challenges long-term decision-making – Volume and complexity of required build strains national / regional government capacity to implement 	<ul style="list-style-type: none"> – stretches government budgets for required infrastructure – Planning and prioritisation processes and capacity issues – Public procurement process and capacity issues – Inconsistent (in design and/or application) policy frameworks in many sectors
Australia ODA presence today	<ul style="list-style-type: none"> – No programs today, engagement through regional initiatives 	<ul style="list-style-type: none"> – Significant programs some involving government-to-government aspects 	<ul style="list-style-type: none"> – Targeted interventions, often aligned with multi-lateral programs
Potential for impact	<ul style="list-style-type: none"> – Australian expertise can help to refine elements of the infrastructure ecosystem to establish and nurture institutional relationships – Can address pockets of reform where gaps exist, in partnership with government 	<ul style="list-style-type: none"> – Impact more likely through finding complementary initiatives to deepen engagement 	<ul style="list-style-type: none"> – Significant potential to strengthen capacity and build relationships where need and demand is identified

Australia and other development partner programs

Support for infrastructure and economic governance in Southeast Asia is a crowded space.¹⁰ In 2018, Australia alone had 15 active infrastructure investments in Southeast Asia, and 14 active economic governance investments.¹¹

Many of DFAT’s economic governance investments in Southeast Asia are delivered through multilateral partners. The newest investments, also the highest value, provide tailored knowledge-based assistance that capitalises on Australia’s comparative advantage.

DFAT’s multilateral partners include the World Bank, ADB and ASEAN. The World Bank, in addition to its country loan programs, has also established the Global Infrastructure Facility (GIF) and the Public-Private Infrastructure Advisory Facility (PPIAF). GIF facilitates the preparation and structuring of complex infrastructure PPPs. PPIAF helps strengthen policies, regulations and institutions. ADB has country loan programs through which it implements infrastructure programs. ADB also manages the ASEAN Infrastructure Fund on ASEAN’s behalf and the Asia Pacific Project Preparation Facility. In addition to the more traditional MDB (World Bank, Global Facility for Disaster Reduction and Recovery, IFC and ADB) partnerships, Australia has investments in the following global partnerships:

- › The Private Infrastructure Development Group (PIDG) is a multi-donor organisation intended to overcome market and institutional failures constraining private sector investment in developing countries. The companies and facilities in the group mobilise private sector infrastructure investment.
- › InfraCo Asia is a PIDG-managed infrastructure development and investment company. It funds high-risk infrastructure development activities by taking an equity stake in socially responsible and commercially viable infrastructure projects.
- › The Global Infrastructure Hub was created by the G20 and works globally with governments and commercial entities to increase the flow and quality of infrastructure projects. It shares data, knowledge and leading practices to support public and private sector collaboration on public infrastructure projects.
- › The Coalition for Disaster Resilient Infrastructure, launched by India in 2019, brings together a global partnership of national governments, multilateral organisations, financing mechanisms, the private sector and academia to promote the resilience of infrastructure systems to climate and disaster risks, thereby ensuring sustainable development.

¹⁰ See also: The ASEAN Secretariat (2015). ASEAN Investment Report 2015: Infrastructure Investment and Connectivity,

¹¹ For each of the nine countries in the program a country analysis was carried out that identified the current state of play, including reference to others working in the same sector.

Beyond the big Australian facilities in Indonesia, few donor activities supporting economic governance and infrastructure improvements use G2G partnerships (except where linked to specific trade and business development outcomes). There is an opportunity to fill this gap. G2G partnerships can drive a more sustainable approach to providing longer-term assistance. G2G partnerships can provide policy and implementation experience rather than solely technical advice.

Australia's economic governance and infrastructure bilateral investments rarely work outside their country mandate.. The previously listed global partnerships all typically work on a national basis. Opportunities exist to bring Southeast Asian countries together to collaborate and share lessons.

Lessons learned from similar programs

The following are key lessons from Australian and other programs that are relevant for this design and which cover the importance of GESI and climate change, multi-country or regional program implementation, DFAT-managed investments and G2G partnerships (see Annex 2 for a detailed summary).

Importance of GESI, disaster risk reduction and climate change¹²: A 2018 DFAT evaluation of Australia's climate change assistance evaluated 26 investments with a total value of \$641.1 million.¹³ Around one-third of investments demonstrated outcomes relating to reduced vulnerability or increased resilience. The most successful investments were those that took a mainstreaming approach to climate change and disaster risk reduction considerations rather than treating them as stand-alone issues. The evaluation recommended that 'DFAT should further increase the profile of climate change in its overarching aid narrative' and 'should consider strengthening whole-of government engagement'.¹⁴ The World Bank¹⁵ indicates the focus of infrastructure effort needs to be on spending better rather than more: *"Invest in regulations and planning, in the early stages of project design, and in maintenance. Doing so can significantly outweigh the costs of repairs or reconstruction after a disaster strikes."* The Asian Development Outlook 2019 states many countries in Asia are adapting the *Sendai Framework for Disaster Risk Reduction, 2015-2030* for national needs and effecting a notable policy shift in disaster response from reactive to proactive. However, the report advises escalating losses from disaster suggest these positive trends require reinforcement to translate plans into actions and to address the causes of social vulnerability and the drivers of disaster risk.

Similar lessons relating to GESI mainstreaming and ensuring infrastructure projects are not gender-blind have also been identified. Further, the importance of resourcing GESI and ensuring GESI advisers are a part of the leadership team has been recognised. A review of lessons from the Australia–Indonesia Government Partnership Fund (2015–2018) noted the importance of elevating the GESI position to deputy director and resourcing it appropriately with additional staff and budget.¹⁶ See Annex 3 for a summary of GESI lessons.

Multi-country or regional programs: Lessons relevant to managing regional or multi-country investments centre around coordination, sharing of knowledge and leveraging limited resources. Lessons from Indonesia, Philippines and Vietnam suggest that Australia can improve the operations of country trust-funds in areas of governance (linking to priorities and investments) and M&E (greater visibility of co-financing and impacts).¹⁷ Multi-country programs can provide an important vehicle for coordinating and leveraging Australia's existing investments. Fieldwork demonstrated a strong desire (see partner quotes above) by MDB partners and other Australian regional investments to work together to mutually support infrastructure outcomes. The OECD DAC Review (2018) also recommended 'DFAT should fully resource its knowledge management framework and roadmap to better capitalise on development knowledge produced in the field and to effectively pool the vast evidence generated from its performance reporting, evaluations, partners and research'.¹⁸ The evidence shows that learning and resources from multi-country programs can be used to enhance Australia's existing investments that are grouped around similar outcomes. The engagement strategy to be developed during the inception phase will explicitly address how the program will work to complement other

¹² Two key documents that guide much of climate change integration approach adopted by donors are: 'Integrating Mitigation and Adaptation into Climate and Development Policy (by Klein, R., Schipper, E., and Dessai, S., in Environmental Science & Policy, 2005.) and 'Integrating Climate Change Adaptation into Development Co-operation: Policy Guidance' (OECD-DAC, 2009). These are key source documents that contain clear guidance on the main principles and approaches for climate change integration.

¹³ DFAT (2018). Investing in the Future: Evaluation of Australia's Climate Change Assistance Office of Development Assistance July 2018.

¹⁴ Ibid pages 2 and 5.

¹⁵ Lifelines: Resilient Infrastructure (2019)

¹⁶ KOMPAC (2018). Gender Equality and Social Inclusion Strategy 2018 -2022 August 2018.

¹⁷ DFAT (2017) Vietnam: Aus4Transport IDD; DFAT/Work Bank (2018) Australia-World Bank Philippines Development Trust Fund Evaluation; DFAT (2018) Evaluation of the Multilateral Development Bank-Infrastructure Assistance Program.

¹⁸ OECD (2018). OECD Development Co-operation Peer Reviews: Australia 2018.

Australian-funded programs with similar outcomes. Working with other key programs in the DFAT portfolio offers the opportunity to:

- › Provide a vehicle for disseminating lessons and best-practice from DFAT programs
- › Leverage professional networks and advisers from other DFAT programs
- › Potentially bolster resources of other programs with government partnerships (where necessary)

Key infrastructure related investments in the DFAT portfolio that the Program will seek to work with include:

- › Australian Private Sector Mobilisation Climate Fund (managed by ADB)
- › ASEAN Australia Smart Cities Trust Fund (managed by ADB)
- › 3i: Investing in Infrastructure (Cambodia)
- › Indonesia Australia Infrastructure Partnership (KIAT)
- › Greater Mekong Water Resources Program
- › Australian Infrastructure Financing Facility for the Pacific (AIFFP)
- › South Asia Regional Infrastructure Connectivity Initiative (SARIC)

DFAT-managed investments: Although the approach proposed for this Program is a flexible program, not a facility, there are a number of relevant lessons from the 2018 independent review of DFAT's facilities. These include the need for 'intensive and ongoing DFAT oversight, engagement and management of both the development content and the delivery process'.¹⁹ DFAT's Governance for Development (GfD) investment in Timor-Leste is an example of the intensive management required including where DFAT assumes a leadership role. GfD's 2019 Aid Quality Check (AQC) noted the 'approach (locally-led, flexible and adaptive) and delivery arrangements (Embassy-led strategy and government engagement, implementation through a managing contractor) remain highly appropriate'.²⁰

Supporting G2G partnerships: The most relevant experience in G2G partnerships comes from the Australia Indonesia Government Partnerships Fund (GPF Phase I was from 2008–2013) and Indonesia Transport Sector Assistance Program (ITSAP). After 2017, GPF, ITSAP, and the Australia Indonesia Partnership for Economic Governance (AIPEG) were merged into what is now DFAT's PROSPERA investment. The initial review of merging GPF, ITSAP and AIPEG into one investment noted that G2G partnerships work well when they are supported by a range of other modalities, including support for logistics and continuity through flexible arrangements. In the design for GPF Phase II, a number of other lessons were identified that are directly relevant for the design of this Program. They include²¹:

- › decisions about developing G2G partnerships need 'agency-to-agency negotiation of programs to ensure that activities target appropriate priorities'
- › governance structures need to be appropriate for making resource allocation decisions
- › there needs to be clear accountabilities and clarity over management arrangements
- › robust monitoring and evaluation arrangements are required to measure outcomes, not only outputs.

Political Economy Analysis (PEA): Lessons from around the globe, and from DFAT's own programs, show that PEA will greatly enhance the success of partnership programs such as this. The Program will implement two types of PEA. In the first year, PEAs will be done for all nine countries, to develop a better understanding of the political dimensions (structures, institutions and actors) of economic infrastructure and to identify potential entry points for partnerships aiming to influence decision-making. These documents will serve as a reference point for each country, when opportunities for potential activities are identified. DFAT's PEA Guidance Note recommends that for PEAs to be operationally relevant, upfront PEA can only do 20 per cent of the analysis, with 80 per cent needing to be done in the course of Program implementation.²² The PEA is therefore part of an analytical process that is ongoing and iterative. The second type of PEA will follow the World Bank Framework for Problem Driven PEA, which will be applied to each significant opportunity for

¹⁹ Ibid page 3.

²⁰ 2019 DFAT AQC for the GfD. See section 6.

²¹ Australia Indonesia Government Partnerships Fund Phase II: 2010-15 Design Document. See: <https://dfat.gov.au/about-us/publications/Pages/australia-indonesia-government-partnerships-fund-phase-ii-2010-15-design-document.aspx>.

²² DFAT, 2016. Political Economy Analysis. Guidance Note. Accessed at <https://dfat.gov.au/about-us/publications/Pages/political-economy-analysis-guidance-note-180911.aspx>

reform or for influencing decision-making in a specific sector or for a specific project.²³ Together, the two types of PEA will ensure a solid understanding of the political economy of infrastructure governance which will increase the Program's likelihood of success. The two types of PEA will also become part of the MEF of the Program.

Other lessons from G2G partnerships and regional programs include the limitations of fly-in-fly out arrangements. Such arrangements can lead to difficulty in developing partnerships and long-term relations. These can be partly overcome by repeat visits by the same people and two-way visits (i.e. from the SEA agency to Australia). SEA visits to Australia can be in the form of repeated secondments or short training courses. Relationship building can also be helped by establishing regular communication routines. These can be through email networks, skype calls, video conference or other electronic routines. The aim is to have regular interaction over a prolonged period of time, so as to build relationships that are valued. The Program will, as part of its MEF, monitor the progress of relationship development.

C. STRATEGIC INTENT AND RATIONALE

Australia has an enduring interest in the economic prosperity of SEA. Australia wants to see countries in our neighbourhood support a liberal, rules-based international order and implement policies that maximise economic growth, reduce poverty and provide effective services to their citizens. An open regional economy directly benefits Australia's commercial interests through increased trade and investment. Australia wants investment in infrastructure to be transparent and non-discriminatory, promote fair and open competition; uphold robust standards; meet genuine need and be environmentally, socially and economically sustainable.

Australia's 2017 Foreign Policy White Paper emphasises how development assistance can catalyse economic outcomes in the region, in turn promoting Australia's national interest. It argues that development aid, when used to support initiatives such as effective governance, can be the foundation for economic opportunity and poverty reduction.²⁴

Prime Minister Morrison announced the Southeast Asia Economic Governance and Infrastructure Initiative at the 2018 ASEAN-Australia Summit in Singapore. The initiative proposed new and expanded tools to deepen Australia's engagement in economic governance and infrastructure policy reform, including the establishment of a new multi-country program – the subject of this IDD.

The strategic intent of the investment is **to help improve infrastructure decision-making in SEA partner countries by building and enhancing government to government partnerships**. Success will contribute to faster and more inclusive economic growth and continued reductions in poverty and inequality. The investment will better connect Australia's network of bilateral, regional and multilateral programs in SEA and help to mobilise finance for principles-based infrastructure development.

Why this investment?

Australia cannot compete with major donors on financing – our contribution is 0.3 per cent of annual infrastructure spending in the Indo-Pacific region.²⁵ Moreover, fieldwork showed that funding was not the primary impediment to improved infrastructure outcomes. Consultations with the private sector, MDBs and experience from Australia's own investments show that poor project planning, prioritisation and governance were the key challenges. High quality project preparation was also necessary but was not sufficient to overcome the poor regulatory and legal frameworks hindering project delivery. The private sector repeatedly emphasised the importance of governance to investment decisions.

Consultations also showed that although technical assistance was essential in many cases, a greater need was support for and the sharing of experience that would help advance reforms. Often the technical solutions for the challenges faced were well known and readily available to SEA government agencies – many countries in the region spend significant amounts of their own budgets on consultant advisors for example. Navigating the complex process of implementing reform and technical solutions was an area of greater need.

23 Fritz, Verena, Brian Levy, and Rachel Ort. 2014. Problem-Driven Political Economy Analysis: The World Bank's Experience. Directions in Development. Washington, DC: World Bank. doi:10.1596/978-1-4648-0121-1. License: Creative Commons Attribution CC BY 3.0. Accessed at <https://openknowledge.worldbank.org/handle/10986/16389>

24 Australia's 2017 Foreign Policy White Paper pages 43 to 47.

25 DFAT (2015). Strategy for Australia's Aid Investments in Economic Infrastructure.

SEA governments expressed significant interest in learning from Australia's experience of infrastructure governance policy reform and implementation. Australia is seen as an honest broker that can provide practical advice and our infrastructure agencies have reputations as global leaders on infrastructure issues. SEA stakeholders saw government-to-government advice as offering something different (in addition to standard TA) and highly relevant to the complex reform and public policy processes needed.

The design therefore proposes a multi-country program that supports infrastructure governance improvements underpinned by G2G partnerships. This will provide an effective, efficient and sustainable means for Australia to help SEA countries address their infrastructure governance challenges and improve infrastructure decision-making. The creation of enduring partnerships will help generate mutual trust and facilitate the sharing of Australian infrastructure sector know-how.

A multi-country approach can take advantage of Australia's regional investments and capture lessons from country-level investments. Moreover, given that across the nine countries similar infrastructure issues occur, a multi-country program will achieve efficiencies and support greater impact across the region with the limited resources available. A multi-country approach can also support existing investments and provide an efficient means to:

- › Increase Australia's profile as a trusted and credible independent adviser on infrastructure issues.
- › Address poor performance across Australia's infrastructure-related investments on gender equality and monitoring and evaluation (M&E) objectives.
- › Provide a long-term mechanism for deploying Government officials to partner countries.
- › Recruit and retain world-leading experts that bilateral programs are not able to access.
- › More systematically engage Australia in regional dialogues, sharing Australian expertise, and increasing Australian commercial engagement in the region.
- › Leverage Australia's MDB investments through consistent coordination, governance and information sharing arrangements, and achieve greater recognition and visibility from our funding.

Coherence: linking bilateral, regional and global programs

A priority will be to link implementation of the Program to bilateral, regional and global programs and partners.

Linking bilateral programs

Discussions with bilateral programs and Posts indicate that the Program could play a valuable role in complementing existing bilateral programs. This held for both smaller economies with fewer investments and the larger economies where DFAT had multiple investments. Added value to bilateral programs includes:

- › sharing lessons and experience through multi-country events
- › accessing networks of professionals to provide services
- › linking bilateral programs across countries
- › bolstering bilateral program resources with G2G partnerships.

Linking regional programs

The proposed Program and its modalities provide a logical fit with regional programs. ASEAN is a key regional organisation where Australia continues to make significant investments and where the proposed Program will develop linkages. The Program will complement and work with ASEAN to support countries to progress and implement infrastructure initiatives under relevant ASEAN work plans (e.g. the Masterplan on ASEAN Connectivity, the Kuala Lumpur Transport Strategic Plan, the ASEAN Plan of Action for Energy Cooperation, the ASEAN Strategic Plan on the Environment, and the ICT Masterplan). Opportunities will also be explored to support the Rolling Priority Pipeline of Potential ASEAN Infrastructure Projects.

Other key regional initiatives the Program will explore options to work with and support include the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) and the Australian-funded Greater Mekong Water Resources Program. The possibility of sharing expertise with the AIFFP and SARIC will also be considered.

Linking global programs

At the global level, MDBs and others showed interest in working with the proposed Program. Discussions were held with various infrastructure and economic governance divisions within the ADB, the World Bank's Infrastructure & Urban Development Hub and InfraCo Asia. In all cases, stakeholders saw opportunities to collaborate and for the Program to add value to their work. Value add could be in the form of partnering in regional learning events; secondment of Australian government officials; and providing longer term support for the implementation of reforms attached to MDB lending operations.

In addition, the Program will establish formal relationships with key third-party agencies and programs (e.g. the US Trade and Development Agency Global Procurement Initiative, Singapore's Infrastructure Asia and parties to the Trilateral Infrastructure Partnership). The relationships will be structured to formalise the sharing of information, coordination of activity and collaboration when opportunities arise.

Gender, climate change and disaster resilience

The G20 Principles for Quality Infrastructure Investment (QII) reflect the extent to which GESI and DRRCC is being integrated into policy and practice in major economies (see Annex 3 for a GESI summary and Annex 5 for a DRRCC summary).²⁶ Attending to GESI and DRRCC in a meaningful way is the means by which governments can attain policy coherence and make projects more likely to comply with the G20 Principles for QII. Projects will be more viable, more resilient, and more likely to attract investors into enduring national assets that enhance the productive capacity of the economy.

The Australian Government recognises the importance of infrastructure development for inclusive economic growth, poverty reduction and women's economic empowerment.²⁷ Australia's aid policy sets a goal to 'improve access to infrastructure services to facilitate private sector and human development and promote women's participation and empowerment'.²⁸ Similarly, Australia's aid program recognises the needs of people with disabilities to gain access to infrastructure so they may access employment opportunities education and health services.²⁹ DFAT's Indigenous Peoples Strategy 2015-2019 also recognises the importance of infrastructure for indigenous peoples.

However, the potential for infrastructure to impact men and women differently is not well understood. Infrastructure is often described as gender neutral, but in the absence of detailed analysis of the differing impacts of infrastructure on different groups, it is more accurately described as gender blind.³⁰ Integrating GESI into the planning and execution of infrastructure development is a means to future-proof projects, spend capital more wisely and achieve wider goals of shared prosperity and peaceful societies. It is 'smart economics', not merely a 'box-ticking' exercise.³¹

There are numerous examples in SEA, and more broadly, of where infrastructure has had unintended consequences that disproportionately disadvantage women, minorities and disabled people.³² For instance, road accidents are the most common cause of death of children and young people aged 5-29 in Southeast Asia. The insight that building more roads exposes more people to the risk of death and injury requires a whole of system approach to infrastructure planning.³³

Further, accessible infrastructure is a key mechanism for full and equal inclusion for people living with disabilities by supporting access to education, health and livelihoods, which in turn can enable a change in their experience of poverty. Ensuring people living with disabilities are active participants in planning, decision making and testing of infrastructure leads to better design. Program supported activities should engage people with disabilities and their representative groups in infrastructure design and management processes, in addition to ensuring infrastructure is designed in accordance with national accessible standards and/or DFAT's Accessibility Design Guide: Universal Design Principles for Australia's Aid Program.³⁴

²⁶ Compliance with DFAT's Environmental & Social Safeguards Policy will also be prioritised.

²⁷ DFAT (2017) Investing in Roads: Lessons from The Eastern Indonesia National Roads Improvement Project. Complete Evaluation, Office of Development Effectiveness (ODE)

²⁸ GoA Office of Development Economics (2014) 'Smart economics: evaluation of Australian aid support for women's economic empowerment'

²⁹ Development for All 2015-2020: Strategy for strengthening disability-inclusive development in Australia's aid program (2015)

³⁰ DFAT (2017) Investing in Roads: Lessons from The Eastern Indonesia National Roads Improvement Project. Complete Evaluation, Office of Development Effectiveness (ODE)

³¹ GoA Office of Development Economics (2014) 'Smart economics: evaluation of Australian aid support for women's economic empowerment'

³² See for example the World Bank study: <https://onlinelibrary.wiley.com/doi/10.1111/dpr.12128>.

³³ See: <https://www.who.int/news-room/fact-sheets/detail/road-traffic-injuries>.

³⁴ Commonwealth of Australia, DFAT, Strategy for Australia's aid investments in economic infrastructure, June 2015.

The impacts of climate change are magnifying a range of challenges relevant to infrastructure. Planning for and investing in climate-friendly and disaster resilient infrastructure from the start can help avoid locking in further exposure to disaster risk and is a particularly cost-effective way to reduce future losses from disasters. Infrastructure has a long service life, often extending over many decades leaving countries' existing and future infrastructure investments vulnerable to changes in climate conditions that may take place in both the near and longer terms. Helping countries invest in climate resilient infrastructure is therefore critical. This presents challenges and adds costs.

However, it also presents opportunities to support lower emissions and more climate-resilient economic growth through better planned and implemented infrastructure development. For example, shifting to low-carbon infrastructure could add as little as 5% to upfront investment costs³⁵. DFAT's Climate Change Action Strategy (2019) recognises these challenges and that building the right infrastructure now will deliver a new era of economic growth.

D. PROPOSED OUTCOMES AND INVESTMENT OPTIONS (WHAT?)

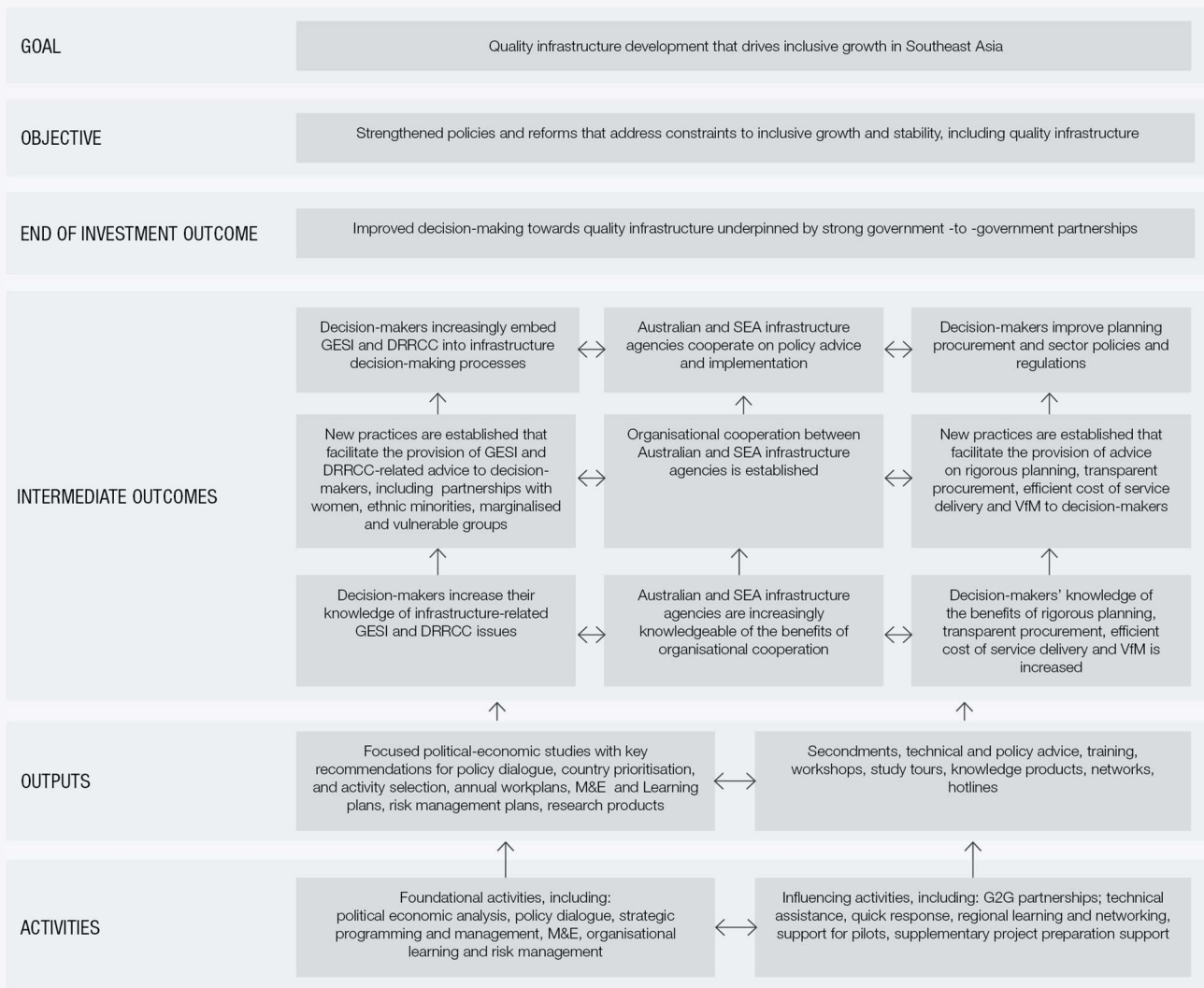
This section identifies the investment's proposed outcomes. It draws on the earlier needs-analysis and the rationale for this investment. Outcomes are described through the Theory of Change (ToC). The ToC identifies the investment's goal, objective, end-of-investment outcome, intermediate outcomes, outputs and activities.

The goal of the Program is **'Quality infrastructure development that drives inclusive growth in Southeast Asia'**. To contribute to this goal, the Program will work with Southeast Asian and Australian infrastructure agencies and other stakeholders to achieve the end-of-investment outcome, which is **'Improved decision-making towards quality infrastructure underpinned by strong government to government partnerships'**.

The ToC for the Program is outlined in Figure 1 (with further details included in Annex 9).

³⁵ Rydge, J., Jacobs, M. and Granoff, I., 2015. Ensuring New Infrastructure is Climate-Smart. Contributing paper for Seizing the Global Opportunity: Partnerships for Better Growth and a Better Climate. New Climate Economy, London and Washington, DC. Available at: <http://newclimateeconomy.report/misc/working-papers>

Figure 1 Theory of change for the Program



End-of-Investment Outcome – Improved decision-making towards quality infrastructure underpinned by strong government-to-government partnerships

Improved decision-making towards quality infrastructure is crucial to the achievement of the long-term goal. Australia can play an important role in assisting counterparts improve decision-making through proposed government-to-government partnerships. Australia will support its Southeast Asia counterparts improve decision-making in two key areas, namely: embedding GESI and DRRCC into infrastructure decision-making processes and improving planning, procurement and sector policies and regulations. This will contribute to a higher quality pipeline of projects that are more attractive to private and public funders. The Program also seeks to foster cooperation on policy advice and implementation between Australian and Southeast Asian infrastructure counterparts, which is an outcome in itself. Such cooperation strengthens Australia’s relationships in the region while also directly contributing to the Program’s high-level goal.

Intermediate Outcome 1 – Decision-makers increasingly embed GESI and DRRCC into infrastructure decision-making processes

Embedding GESI and DRRCC into infrastructure decision-making is crucial to the achievement of the long-term goal. The Program will focus on integrating GESI and DRRCC into the three themes: planning, procurement and sector policy and regulation. In the short-term, the Program will work with governments, civil society organisations (CSO’s) and investors to outline the inter-connections between GESI, DRRCC and quality infrastructure, including maximising opportunities to strengthen systems and to build back better

following disasters. Through illustrating the economic, social and environmental benefits of adhering to the G20 Principles for QII, the Program will encourage governments to set more ambitious goals, while empowering reformers both inside and outside government to hold authorities to these global standards. The Program will meet the demand from Southeast Asian agencies by identifying gaps in their policies and matching them to the experts and stakeholders who can help address these. Over the medium-term, this will result in the development of engagement strategies and the formulation of partnerships between agencies, and ultimately to the embedding of GESI and DRRCC considerations into decision-making processes.

Intermediate Outcome 2 – Australian and Southeast Asian infrastructure agencies cooperate on policy advice and implementation

Cooperation between Southeast Asian and Australian infrastructure agencies will support improvements in planning, procurement and sector policies and regulations and the embedding of GESI and DRRCC, while also strengthening Australia's relationships in the region. Such cooperation will involve forging partnerships over the medium-to-long term that foster organisational learning and institutional capacity building. In the short-term, the Program will raise awareness of the benefits of organisational cooperation through structured G2G influencing activities. These will include regional networking and learning opportunities, study tours, hotlines and other influencing activities. Southeast Asian and Australian agencies will become increasingly knowledgeable of the benefits of cooperation. Australian agencies will provide relevant and high-quality advice to their Southeast Asian counterparts, and, over the medium-term, this will lead to the establishment of more systematic organisational cooperation between infrastructure agencies. Over time, high-quality cooperation on infrastructure policy and implementation issues will develop, this will see Australian agencies becoming trusted and high-quality partners directly contributing to improvements in infrastructure decision-making in Southeast Asia.

Intermediate Outcome 3 – Decision-makers improve planning, procurement, and sector policies and regulations

Improved planning, procurement, and sector policies and regulations is a pre-requisite for the provision of high-quality infrastructure. At present, many decision-makers in Southeast Asian infrastructure agencies are not able to sufficiently incorporate planning, transparent procurement, efficient cost-of-service delivery and Value for Money (VfM) into their decision-making processes. In many cases, this leads to low quality infrastructure choices. In the short-term, the Program will work to increase knowledge of the importance of these issues through its influencing activities, which will stimulate demand within Southeast Asian agencies for technical inputs. Over the medium-term, a range of new practices will be established that facilitate the provision of advice on rigorous planning, transparent procurement, efficient cost-of-service delivery and VfM. This will occur through improvements in the agencies' endogenous expertise and through establishing partnerships with other agencies and expert groups, including through Australian G2G partnerships. Over time, this will lead to decision-makers improving the planning, procurement and sector policies and regulations that lead to the development of high-quality infrastructure.

Government to Government (G2G) Partnership Modality

The Program will primarily channel its support through G2G partnerships. Annex 6 outlines the G2G partnership delivery approach.

During fieldwork, numerous SEA government agencies, indicated that it wasn't technical advice they needed, but sharing of experience on how to implement reforms. Government partnerships were identified as an efficient and effective way to achieve this. G2G partnerships were seen as being efficient in that they used existing structures, skills and often networks that already existed in Australian institutions. Government partnerships were also seen as an effective way to deliver advice on policy implementation, rather than specific technical issues. G2G partnerships were further judged to be more sustainable, as relationships between government officials had the potential to last beyond the initial funding round, especially, around infrastructure governance issues where both parties could identify mutual benefits.

Initially, around five Australian agencies are expected to participate in the Program. The agencies will be selected based on organisational mandate, interest and capabilities relevant to the Program's themes.

Partnerships may consist of more than one Australian government agency collaborating with one or more agencies in SEA countries. DFAT posts in the region will contribute to the partnership identification process.

Partnerships will:

- › promote Australian 'know-how' and expertise
- › leverage the reputation of Australia as a trusted partner
- › provide opportunities for meaningful Australian private sector engagement.

The Program will fund agreed sets of activities for up to two years. Partnerships are expected to bring the relevant skills specified in an activity plan, either through direct delivery by the Australian government agency, the Program or through contracted staff. The delivery of GESI and DRRCC is expected to require additional support from the Program.

The design of activities will be supported by Program Lead Advisers, alongside the G2G partners. The Lead Advisers will have expertise in high-level infrastructure governance, private sector engagement, GESI and DRRCC, and experience in SEA. They will provide technical inputs, and support to the Program Director to manage relationships. Activities will be structured around **long-term repeated programs of engagement** which may include (but are not limited to)³⁶:

- › short-term secondments (potentially four to six times per year for a period of up to two weeks) from the Australian government partner to the Southeast Asian government partner³⁷
- › secondment from the Southeast Asian government partner to the Australian government partner (potentially four to six times per year for a period of up to two weeks)
- › joint meetings or workshops either in Australia or SEA, either on a country-specific basis or to include a number of the SEA countries
- › support for regional networking
- › provision of technical advice
- › study tours
- › training in SEA or Australia
- › development of a hotline
- › development of virtual support groups or networks
- › ad hoc advice delivered through a range of modalities.

The nature of G2G partnerships will be influenced by each SEA country and Australia's existing engagement. In more developed SEA economies and where Australia has significant economic governance or infrastructure investments (Indonesia, Vietnam and prospectively the Philippines), the opportunity will be to add value to these investments. The activities in these countries will be designed, with Posts, to build on program successes and extend program influence and impact. In the smaller, less developed economies (Cambodia, Lao PDR, Myanmar and Timor-Leste), where Australia has less of an infrastructure presence, the opportunity will be to forge new relationships around the infrastructure governance objectives. For the more developed economies (Malaysia and Thailand) the opportunity is to form mutually beneficial partnerships and share lessons with other economies in the region.

Modalities supporting G2G partnerships

The G2G Partnership approach will be supported by three additional modalities. These modalities are operationally separate but are mutually re-enforcing. The challenge will be to ensure an optimum mix of modalities to achieve the end-of-Program outcomes. The modalities are:

- › **Quick Response:** The quick response mechanism will react rapidly to direct (and often informal) requests from ministers or other senior officials. After consultations with the relevant Post, the Program will respond by deploying a lead technical adviser to work with the minister or official's staff to identify the support needed. During the initial contact the Program Director may also be involved. The Program can then decide whether it is in the best position to provide support, and how this can be done (technical

³⁶ Security clearances will be sought for the lead advisers.

³⁷ The exact nature of the partnership will vary by agency; however, the general principle is for short-term deployments that are repeated over a longer period of time.

assistance, G2G work, or some other modality). The Quick Response modality is key to the Program's branding and reputation.

- › **Technical Assistance (TA):** technical support can also be provided to government agencies. G2G partnerships will often need to be complemented by technical assistance. Where appropriate, TA can also be provided under the umbrella of an Australian government agency, Post or existing bilateral or regional program.
- › **Regional Learning and Networking (RLN):** regional learning and networking events aim to (a) create mutual learning opportunities, where officials share knowledge and experience; (b) promote opportunities for reform and engagement with the Program; and (c) leverage and support existing events and use these as potential entry points for reform. RLN will be essential in promoting the Program and to promote and support G2G relationships. Regional events include workshops that focus on specific technical issues that are of interest to officials and the private sector in a number of countries. These workshops would ideally take place in the region and be jointly co-hosted by Australia (G2G or Program), another SEA country, ASEAN/ASEAN-related organisation or third party partner (e.g. US, Japan, Korea). For example, a regional workshop on project prioritisation could be co-hosted by Australia and Malaysia. Regional networking events will be pitched at the senior government official-level (ministers, vice-ministers and directors-general) and could include also private sector representation through existing formally established institutions, such as the ASEAN Business Advisory Council. Networking also includes engagement with bilateral, regional and global programs, particularly where Australia has investments or other strategic interests. Four events are anticipated in the first year of the Program (see Annex 8) and will be linked to PEA and engagement plans for longer-term partnerships.

Thematic focus of the Program

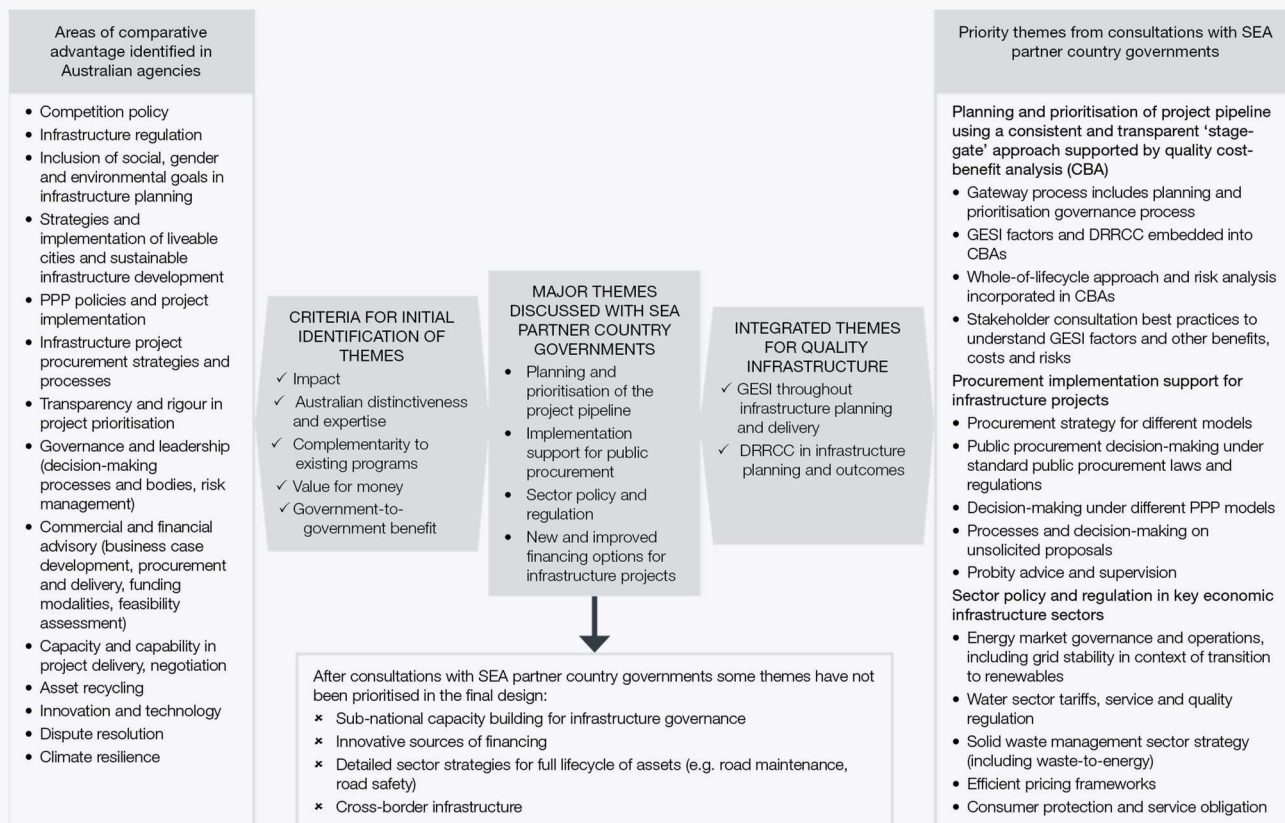
The Program will focus on three thematic areas. These were identified through analysis of Australian expertise and comparative advantage, SEA country demand and applying criteria that sought to achieve impact, complementarity with other programs and VfM. Figure 2 illustrates the selection process and identification of the three themes. Annex 4 provides further details of the criteria, themes and where SEA countries indicated there was a demand for support. Details of Australian agencies' expertise are included in Annex 6.

The three thematic areas are:

- › **planning and prioritisation** of the project pipeline using a consistent and transparent 'stage-gate' approach supported by quality cost-benefit analysis (CBAs)
- › **procurement implementation support** for infrastructure projects
- › **sector policy and regulation** in key economic infrastructure sectors (e.g. electricity transmission and distribution, water utilities, toll roads).

The G20 Principles for QII on DRRCC and GESI will be integrated within the three thematic areas (discussed later in this section), as will compliance with DFAT's Environmental & Social Safeguards Policy.

Figure 2 Process of identifying the three thematic areas



Australian Government agencies interest in partnering

DFAT and the design team met with select Australian state and federal departments, agencies and independent bodies. A significant number of agencies showed interest in participating in the program and some had existing engagements in the region.

Selection of Australian agency partners will be based on matching the interests and priorities of the Australian agency against SEA government agency demand identified during country consultations, and Program objectives.

Engagement with Australian government agencies is ongoing and will continue through to implementation. It is anticipated that by July 2020 3-5 arrangements with key agencies will be in place to enable initial participation in the Program. Additional arrangements will be established subject to opportunity, demand and the success or otherwise of the initial cohort.

E. IMPLEMENTATION ARRANGEMENTS (HOW WILL DFAT ENGAGE?)

It is proposed to deliver the services described above through a flexible program managed through a hybrid model, led by DFAT. A DFAT EL2 posted officer will lead the program and be accountable for overall strategic direction and performance, including overseeing the G2G relationships. A managing contractor will provide technical and administrative services.³⁸ The hybrid model was judged to deliver the best combination of access to specialist expertise, facilitation of G2G relationships and ensuring Australian Government strategic control. This assessment was based on the comparison of a range of delivery approaches against a set of criteria.³⁹ The criteria centred on effectiveness, efficiency, VfM and sustainability.

A DFAT-led program is not new. As discussed, the GfD program in Timor-Leste is implemented through a hybrid model. The GfD Program Director is a DFAT senior manager not a contractor.⁴⁰ Similarly, the Vanuatu

³⁸ The process of how the hybrid model was selected and its advantage over other implementation models is found in Annex 1113.

³⁹ See Annex 11 for details of the criteria.

⁴⁰ <https://dfat.gov.au/about-us/publications/Documents/timor-leste-governance-for-development-investment-design.pdf>.

Governance for Growth Program (GfG) was designed with a DFAT (AusAID) officer lead.⁴¹ A recent evaluation found 'GfG is a 'jewel in the crown' for Australian support to economic reform and service delivery in the Pacific.⁴² However, there are risks. Primarily around potential conflict and disagreement on responsibilities and accountabilities between DFAT and the managing contractor.

For this arrangement to work it requires a 'one team approach'. There are four significant elements of the 'one team' approach that need to be in place for successful implementation. Firstly, a full-time dedicated DFAT officer as the Program Director, secondly, the co-location of the DFAT Program Director and the managing contractor team; third, there needs to be clear definitions of roles and responsibilities between the Program Director and the Managing Contractor; and fourth, the 'one team approach' needs to extend to close working relationship with Posts.

All facilities/programs, whether those funded by DFAT or other ODA partners, require a dedicated full-time team leader to be able to carry out the day to day functions of running the program. This person needs to be well qualified and able to focus solely on the task of achieving the program's objectives. Managing contractors usually place great emphasis on getting the right team leader as they are crucial to delivering results. This is no different for a hybrid model.

The second significant element of the 'one team' approach is co-location. It is important that the Program Director and managing contractor personnel be co-located in the same office in Bangkok. Separating out the management of the Program to be located in the Embassy and the operational staff to be located outside, is likely to lead to failure (see risk matrix). Figure 3 shows the proposed relationship between DFAT (in green) and the contractor (in grey).

For the Program to operate in a politically smart, adaptive but accountable manner, requires creating clear levels of delegation on decision-making authority. At a very high level, decisions on strategic direction and annual workplans will go to the Board (see Governance arrangements below), but at the operational level there needs to be clear processes that will allow the Program to be able to work in an adaptive manner, seizing opportunities as they arise and making decisions based on evidence and learning. During the inception phase the Program will develop an Operations Manual that will include setting out clear levels of delegation on decision-making authorities. This will be reviewed at the end of the first year and revised as necessary.

Other key features of the hybrid implementation arrangements include:

- › DFAT Program Director to implement and manage strategic direction
- › DFAT Program Director and posts to lead on relationship development with G2G partners, SEA government agencies, and MDBs support by Lead Advisers
- › DFAT Canberra staff support relationship building with Australian agencies, with the managing contractor providing logistic and administrative support
- › relationships with posts to be overseen by DFAT Program Director supported by the managing contractor (Lead Advisers etc.)
- › managing contractor to monitor and evaluate progress, supported by DFAT locally engaged staff
- › managing contractor staff report to Program Director
- › managing contractor staff to support the four modalities (G2G, TA, Quick response, and regional networking – see discussion on selection of activities below)
- › managing contractor responsible for delivery and quality of GESI, DRRCC and infrastructure thematic expertise (i.e. Lead Advisers and short-term TA)
- › Lead Advisers will work across all nine countries on a demand driven basis. Lead Advisers' specialist skills and country expertise will be matched against demand
- › Lead Advisers to make recommendations for activities based on selection criteria and approved by the DFAT Program Director
- › a contract manager position to provide day to day management of implementation

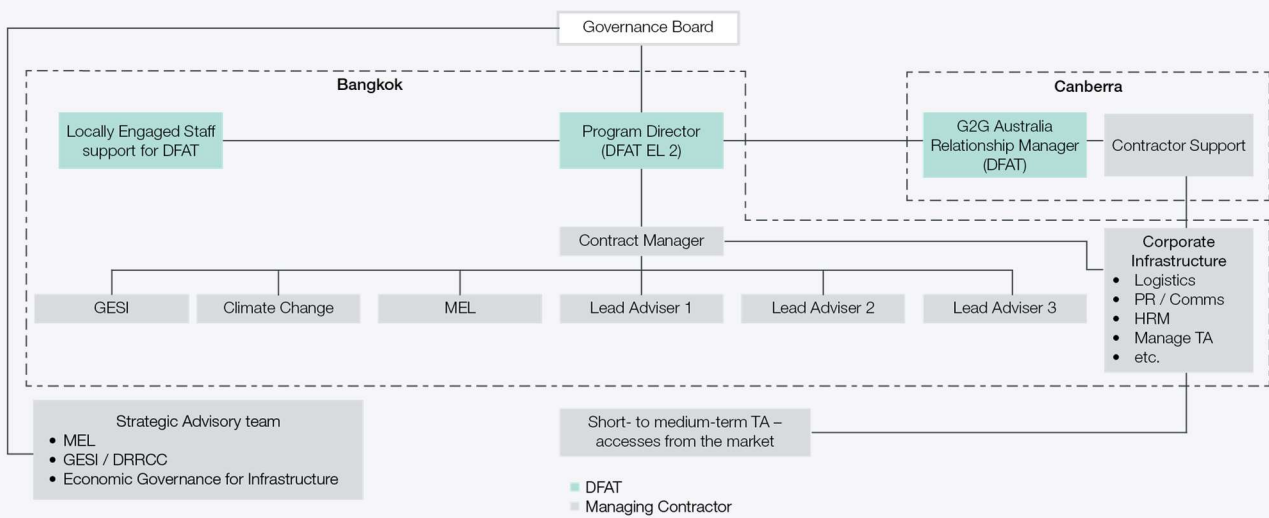
41 See: <https://dfat.gov.au/about-us/publications/Documents/governance-growth-program-design.pdf>.

42 <https://www.devpolicy.org/governance-for-growth-program-vanuatu-20171215/>.

- › G2G partnership packages of activities to be approved by the Program Director, but must be supported by the SEA partner government agency, the Australian agency and Post
- › Strategic Advisory Team is contracted by managing contractor but reports to DFAT Program Director and Governance Board.

The use of a hybrid model is not without risks. Risks include being able to identify and mobilise the right DFAT person and the ability to create an environment where all parties embrace the ‘one team’ approach. DFAT and managing contractors have different cultures and different experiences that are not easily merged. To address these risks, the first-year work program includes several workshops to address the need to create a culture of working as ‘one team’. Other actions include ensuring the Program Director is fully dedicated to the role of achieving the Program’s objectives and co-location of the team in one place.

Figure 3 Proposed organisation chart



Governance arrangements

The Governance Board will provide strategic direction, be a source of independent advice and provide corporate governance. It will also be responsible for monitoring progress on GESI and M&E. These ‘oversight’ functions are essential for the Program, which in essence is a corporate structure, and as such needs to have an appropriate accountability mechanism. The role and function of the Governance Board include:

- › **Responsibility:** responsible for providing overall strategic direction for the Program and is accountable for that direction
- › **Composition:** Canberra DFAT appointee (e.g. FAS SED), Independent Private Sector Representative (external expert with knowledge of Southeast Asia infrastructure), Australian whole of government representative (knowledge of Australian infrastructure sector). The Program Director will be a non-voting member of the board.
- › **Function:** Review performance and provide strategic advice. The Board may direct the balance of spending between countries, sectors and/or themes.

The proposed Board approach is intended to be proportional to the size of the Program. The Board is small but well informed. It is recommended that an independent Board member be appointed to represent the private sector engaged in infrastructure, with a view to promoting and supporting the Program’s links with the private sector. DFAT can at any time appoint additional members to cover specific interests or strategic positioning. Additional Board members could come from the private sector, multilateral partners, GESI or DRRCC sectors.

The Board will meet at least twice annually and more if required. Meetings will be timed to support a review of the strategic direction outlined in the Annual Plan. The Program Director will report to the Governance

Board. The Governance Board will provide strategic direction and it will provide DFAT with reports of its advice and assessments.

A **Strategic Advisory Team** will be employed to support the Board, Program Director and technical team. The Strategic Advisory Team will consist of a three-person team, including GESI/DRRCC, MEL and infrastructure governance advisers. Their role will be to provide advice and to review the Program against its outcomes.

Selection of activities

The Program will not be able to work in all nine countries at the same time, given the funds available and acknowledging the capacity constraints of partners. It will seek to maximise the impact of activities and will be opportunistic in its selection of where its relatively modest funding will provide the greatest impact. All long term and major activities selected will need to contribute to the Program's goal and outcomes. Prospective activities will be evaluated using the selection criteria in Table 2. Individual activities will need the support of Post before being approved. Depending on the initial request for support and the process used for selection, different modalities may be used. Requests for support can come from a range of stakeholders that can include SEA Governments, G2G partners, MDBs, ASEAN (including Working Groups), and Posts. Activities will either be delivered by the Program's specialist advisers, possibly supplemented with short term TA, or by Australian government agencies that may use their own staff or a combination of their staff and contracted staff.

The proposed activity selection criteria are presented in Table 2. The criteria are informed by best practice examples from other DFAT programs. The criteria are not weighted, but each criterion must be considered prior to funding being allocated and decisions against each informed by the Political Economy Analysis. Over the course of implementation, the managing contractor may work with the Program Director to update the criteria based on lessons learnt.

Table 2 Proposed selection criteria for activities

Criteria	Questions to ask
Issue Definition and Outcomes	<ul style="list-style-type: none"> › Does the proposal demonstrate a clear and substantive contribution to one or more of the Program's outcomes? › Are the outcomes from the proposed actions clear and achievable, and is there a realistic timeframe? › Is there sufficient evidence to back the link between the planned inputs and expected outcomes?
Political Economy	<ul style="list-style-type: none"> › Does the proposal consider how change will be driven politically and work to engage with this and is this supported by the Political Economy Analysis?
Sustainability	<ul style="list-style-type: none"> › Is the proposal based on a SEA partner government request? › How will the activity be sustained when Australian Government funding ends? › Is there a demonstrated commitment by the partner country to contribute resources or finance to the activity? › Is the activity linked to a third-party financed activity?
Technical Assistance	<ul style="list-style-type: none"> › How will the provision of Technical Assistance lead to the change expected? › How will the performance of the Technical Assistance be assessed?
Significance	<ul style="list-style-type: none"> › Does the proposal have the potential to be transformative for government, business, or the ability to deliver services? › What is the scale of the change it might generate?
Partnerships	<ul style="list-style-type: none"> › Does the proposal strengthen G2G relationships with Australia? › Does the proposal promote working together across Government, or between Government and the private sector and/or civil society? › Does the proposal encourage coordination across the Program? › Does the proposal encourage coordination across DFAT's aid/trade portfolio?
Gender Equality and Social Inclusion (GESI)	<ul style="list-style-type: none"> › Does the proposal link with the G20 identified a set of Principles for Quality Infrastructure Investment (June 2019)? › Will the proposal provide opportunities for women, indigenous people and people with disabilities to earn incomes, develop businesses and participate in policy and regulatory decision-making processes?

Criteria	Questions to ask
	<ul style="list-style-type: none"> › Will the proposal provide opportunities for people with disabilities to participate in all program design and management processes, access services which may in turn enable them to earn incomes and develop businesses, and participate in policy and regulatory decision-making processes?
Disaster Risk Reduction and Climate Change	<ul style="list-style-type: none"> › Does the proposal link with the G20 identified a set of Principles for Quality Infrastructure Investment (June 2019)? › Will the proposal support SEA partner governments to incorporate DRRCC considerations in current and future work, including environmental sustainability and disaster risk reduction?
Monitoring and Evaluation	<ul style="list-style-type: none"> › Does the proposal have at least one appropriate and measurable indicator? › Is it clear who will collect data, against what baseline? › Is it clear who will use the data collected and to what end? › Does it comply with environment and social safeguards?

The process for selecting activities is illustrated in Figure 4. Aligned with the Program’s goal and identified outcomes, the overall strategic direction and prioritisation comes from the Board and Program Director. The Board’s and Program Director’s views are informed by the Political Economic Analysis carried out for each country and the advice received periodically from the Strategic Advisory Team, as well as, ongoing feedback received through the Monitoring, Evaluation and Learning activities of the Program.

Within the framework of the priorities set by the Board and Program Director, the Program is demand driven. Demand for its services may come from a variety of stakeholders, including Program-initiated, ASEAN working groups, DFAT posts, Australian or partner governments or MDBs. An initial assessment will be made by the Program Director in consultation with post and/or the SEA partner agency and will determine the priority of the request, informally using the Selection Criteria to help inform the decision to engage. If high enough priority, a Lead Adviser will be deployed for quick-response TA and/or activity scoping. Quick responses supported by post and under a certain value and duration (to be determined during the inception phase) can be quickly mobilised if approved by the Program Director and do not have to go through a formal process of applying the above set of criteria.⁴³

Based on the initial scoping work and in consultation with post and the potential government partner(s) the Lead Adviser may draft an Activity Proposal. An Activity Proposal will be screened against Safeguards policies and Activity Criteria. The Lead Adviser in consultation with key stakeholders (Post, SEA Agency, Australian government partner) may also recommend no further action needed or required. In this case only a quick response by the Lead Adviser is delivered.

Where the Lead Adviser proposal meets the Investment, Safeguards and Activity Criteria, it provides an entry point for the development of a higher value and longer duration program of activities. The program of activities are intended to be developed in conjunction with relevant key stakeholders. These may include but are not limited to Australian government partners, SEA Partners, ASEAN working groups, MDBs, bilateral investments, and DFAT posts. The entry points may be for the development of various forms of support as illustrated in Figure 4. The Program Director will review and sign-off on all Activity Proposals.

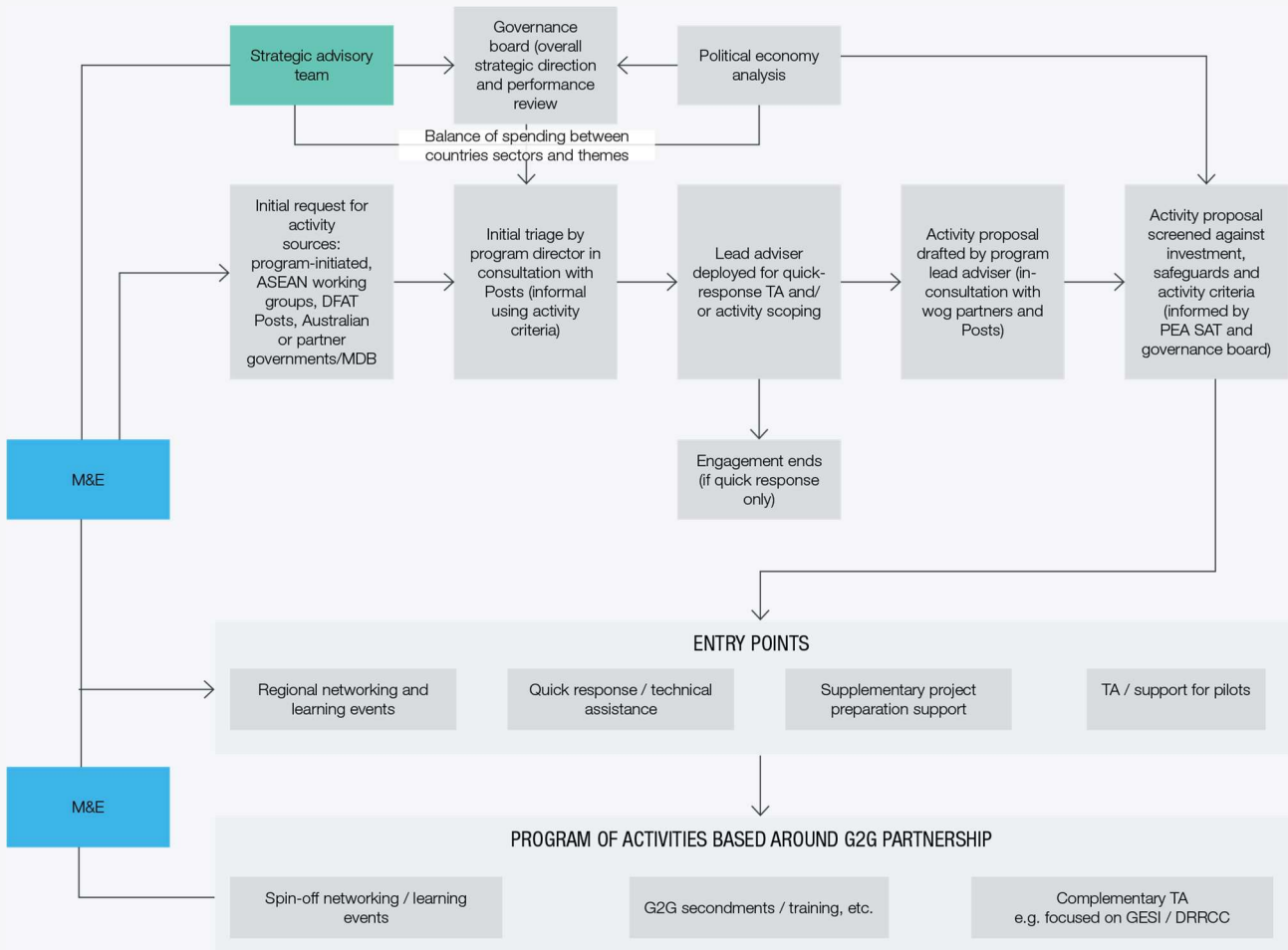
In all cases, the entry points serve to develop longer lasting and enduring programs of activities based around G2G partnerships. These partnerships will be fostered and supported by the Program but will largely be driven by the Australian and SEA partners. Support provided by the Program will be in the form of monitoring and evaluation, activity design, GESI or DRRCC inputs or advice, and other additional technical inputs. The Program will also have quality assurance and fiduciary responsibilities.

In Group A countries (Malaysia and Thailand), the program can establish and nurture institutional relationships that will help refine niche elements of the infrastructure ecosystem through the deployment of Australian expertise. In Group B Countries (Indonesia, Vietnam, Philippines), we expect impact is more likely to be achieved through finding initiatives complementary to existing bilateral programs that will enhance or

⁴³ During the implementation phase, the implementation team will need to develop a set of rules for how much and for how long can initial resources be allocated to any individual activity before the more formal process needs to be applied.

deepen engagement. In Group C (Cambodia, Lao PDR, Myanmar, Timor-Leste), there is significant potential for much deeper capacity and relationship building effort.

Figure 4 Process for selecting activities



Importance of Posts

In each of the nine countries and ASEAN, Posts are at the forefront of managing relationships with government counterparts. Where Posts are engaged with the relevant infrastructure agencies and/or donor networks, they provide a well-placed source of information and an entry point for the Program. The Program will carry out a needs assessment with each post to identify resources needed to support effective engagement. The Program Director and Lead Advisers will meet regularly with posts to identify opportunities and provide support. The input from staff at posts will vary by country, but may include:

- › making the Program aware of opportunities or requests from SEA government agencies for assistance related to infrastructure governance
- › providing introductions to relevant government agencies
- › meeting periodically with the Program Director and Lead Advisers.

The Program will regularly liaise with posts, including the ASEAN Mission in Jakarta. This will provide a network of ‘contacts’ that are in touch with government agencies and will feed opportunities for new activities to the Program.

Generally, the ten posts (nine countries and ASEAN) were supportive of the proposed Program but saw their engagement with the Program as operating in different ways. Post views on Program engagement largely aligned with the country groupings identified in Figure 1. For the smaller Mekong economies, posts were supportive of directly working through the Program. In the more developed economies of Thailand and

Malaysia, posts saw the opportunity to work with the Program to increase engagement. For the three economies where Australia has traditionally had larger development assistance programs, posts saw the Program's potential to supplement existing investments.

Key feedback from posts during design highlighted that:

- › close alignment with and support for bilateral priorities will be imperative
- › governance arrangements must be as light touch as possible, but allow for substantive engagement on strategic direction and activity selection
- › additional resources to support implementation of the Program are welcome, but there is no one-size fits all model
- › the type of support the Program provides needs to be responsive to the needs and operational context of individual posts.

The Program will aim to minimise the demands on posts and provide value added support including⁴⁴:

- › quick responses to mission requests through the utilisation of lead advisers
- › inputs from short-term international advisers with specific expertise to engage with the relevant Southeast Asian government agency
- › briefings of key infrastructure governance developments in the region
- › opportunities for Posts and their SEA government counterparts to participate in regional networking and learning events.

During the inception phase and following consultations with posts, the nature and scope of support to be provided will be outlined in work planning documents. These will include, for each of the ten posts across SEA, a dedicated support plan that takes into account their capacity and their preferences for working with the Program. From the initial engagements it was clear that some posts prefer to work directly with the Program, while others may require additional resources (e.g. design has budgeted for up to four locally engaged staff to support posts) to be provided by the Program.

Proposed early activities (i.e. work program)

The first 12 months will include a three-month inception phase followed by a nine-month start-up phase. Focus during this time will be on political economy analysis of each country to identify entry points and building partnerships. In year one, the work program will consist of two main types of activities: Foundation and Influencing. Foundation activities consist of those that are necessary to establish and maintain the Program, while Influencing activities are expected to directly contribute to the outcomes. In addition, the Strategic Advisory Team will be established (See Annex 8 for details).

In the three-month inception phase, a Program Operations Manual will be produced. Other key documents that will be produced in the first 12 months include:

- › GESI and DRRCC Strategy
- › PEA and Engagement Strategies for each country and ASEAN
- › Sustainability Strategy
- › Private Sector Engagement Strategy
- › Communication and Public Affairs Strategy
- › Risk Management/Safeguards Strategy.

Early activities will focus on political economy analysis and sector analysis that will support the preparation of engagement strategies for each country and a list of priority early engagements. We anticipate four countries will be prioritised for partnerships in the first two years. In the first year the Program will also fund project related analysis drawing on the ASEAN Rolling Priority Pipeline (or potentially another regional

⁴⁴ The funding for the Program does not allow for staff in each of the nine locations.

connectivity initiative such as ACMECS). The intention is to focus on analysis and support that will demonstrate the benefits of better incorporation of GESI and DRRCC in project development. The funding of analysis will also help build the brand and value of the Program in the region. Additional details are provided in the resourcing GESI/Climate Change section and Annex 8.

Policy dialogue, public diplomacy and sustainability

Policy dialogue between G2G partners and for DFAT with Australian and SEA agencies is critical for the success of the program. Bilateral and regional engagement will be a priority, and activities have been budgeted to support this. Initial engagement will include bilateral, regional and global partners that were identified as having an interest in cooperating. Funding has been included for the Program Director and key staff to engage with counterparts (bilateral, regional and global partners, SEA government agencies and Australian government agencies) in policy dialogue with the aim to lay the foundation for the G2G program of activities.

SEA partner agencies which the Program will engage with include, but are not limited to, key infrastructure agencies and environmental regulatory agencies, who play a critical role in policy planning, review, approval and monitoring infrastructure developments.

The Engagement Strategies developed will outline how the Program will engage with bilateral, regional and global partners; the nine country and ASEAN posts; SEA government agencies; and Australian state and federal agencies.

Public diplomacy. A significant benefit of the proposed modality with a DFAT Program Director (as opposed, for instance, to working through an MDB) is the opportunity to promote Australian expertise to the region. The Program will have a Communication and Public Affairs Strategy. The Regional Networking and Learning activities will also be important public diplomacy opportunities, particularly for high-level officials' meetings. The inclusion of a private sector representative on the Governance Board will also play an important role in the Communication and Public Affairs Strategy. The range of public diplomacy tools will include:

- › Periodic media events to announce key achievements and events
- › Printed reports and information pamphlets
- › Ongoing dialogue with SEA agencies; private sector; MDBs, ASEAN and other regional and global partners
- › Specific consultations with relevant CSOs, including women's groups.

In addition, the Program will utilise the normal range of media tools, including a website.

Sustainability of the Program will be judged primarily on the success of the policy reform and behaviour change processes supported as well as whether the government to government relationships are enduring. Key risks will be that the program delivers small fragmented activities without sustainable outcomes and/or the relationships between Australian and SEA agencies cease at the completion of the program. These risks will be mitigated by:

- › Political Economy Analysis to target partners and sectors that offer the greatest prospect for sustainable reforms or behaviour change
- › strong activity selection processes to prioritise partnerships with the greatest prospect of enduring
- › seeking co-financing from partnership participants or other development partner programs (Australian, regional, global)
- › linking partnership activities to regional connectivity initiatives (e.g. regional pipelines and third-party funded projects).

Co-financing, including in-kind contributions, by SEA governments will be encouraged to support sustainability and as a sign of commitment to the objectives of the Program. Prospective co-financing models could include:

- › countries making a financial or in-kind contribution to regional networking and learning events

- › contributions by partner governments and Australian agencies of staff-time for secondments and training.

Sustainability will be tracked through the MEF.

F. MONITORING AND EVALUATION (HOW WILL DFAT MEASURE PERFORMANCE?)

The primary purpose of Monitoring and Evaluation (M&E) is to generate useful, timely and relevant information that can inform decision-making at the country, Program, and activity levels. Australian Government Partner agencies and SEA agencies will be provided support with Monitoring, Evaluation and Learning (MEL), so as to meet international standards.⁴⁵

Components of the M&E Framework

There are five components of the M&E Framework (MEF). These are: Country-Level Monitoring, Program Monitoring, Activity Monitoring, Program Evaluation, and Activity Evaluation.⁴⁶ Table 3 defines each component and articulates the key evaluation/monitoring questions for each (Annex 7 includes further details).

Table 3 M&E framework components and key M&E questions

Component	Definition	Key M&E Questions
Country-Level Monitoring	Includes monitoring the situational context pertaining to infrastructure decision-making in each partner country, particularly in the areas of GESI, DRRCC and, planning, procurement and sector policies and regulations	<ul style="list-style-type: none"> › What important regional, political, policy or regulatory issues may have an impact on the Program activities in country X? › What organisational issues in key partner agencies may have an impact on the Program activities in country X? › What financial issues may have an impact on the Program activities in country X? › What activities of other infrastructure sector actors (e.g. ASEAN, private sector, MDB's, emerging donors) have an impact on the Program's activities in country X?
Program Monitoring	Includes monitoring the overall performance of the Program, the achievement of results and the strategic management of the Program	<ul style="list-style-type: none"> › What developments at the country-level may be affecting Program performance? › What issues within Australian Government partner organisations may be affecting performance? › What Program -level organisational, relationship or management issues are impeding implementation? › Are decision-makers increasingly aware of the importance of GESI and DRRCC and the importance of rigorous planning, transparent procurement, efficient cost –of-service delivery, and VfM?
Activity Monitoring	Includes the selection and design of foundation and influencing activities, and data on their performance	<ul style="list-style-type: none"> › Are the criteria for activity selection appropriate? › Have these criteria been consistently applied? › Are the foundational and influencing activities being delivered in accordance with expectations? › Is there evidence that these activities are achieving results?
Program Evaluation	Includes assessing the performance of the Program against key agreed evaluation criteria	<ul style="list-style-type: none"> › How relevant is the Program considering emerging priorities in partner countries? › Is the Program being implemented efficiently and with an eye to VfM? › How effectively has the Program fostered collaboration between Australian and counterpart country agencies? › How effectively has the Program assisted decision-makers embed GESI and DRRCC into infrastructure decision-making? › How effectively has the Program assisted decision-makers continually improving planning, procurement, and sector policies and regulations? › What is the likelihood that the benefits of the Program's interventions will persist after funding ceases? › How coherent are the Program's investments at the portfolio level in each country?
Activity Evaluation	Includes assessing the performance of activities	<ul style="list-style-type: none"> › How relevant, efficient, effective and sustainable is the Activity?

45 A lesson learned from Prospera support for G2G partnerships is that Australian government agencies often need help with designing and implementing a meaningful and useful MEL framework.
 46 The M&E section draws on the definitions identified in Annex 7.

Component	Definition	Key M&E Questions
	against OECD-DAC evaluation criteria	

Implementation

The managing contractor is responsible for the implementation of the Program's M&E. The managing contractor will work closely with the DFAT Program Director and technical teams in the development of an M&E Manual. The M&E Manual will outline how the M&E components will be operationalised, including how data will be collected in response to the key evaluation and monitoring questions, and how evidence will be used to iteratively improve implementation.

The M&E Manual will be finalised after mobilisation and will be a major output of the inception period (see Annex 7 for details). The managing contractor will facilitate at least one M&E workshop after baselines have been completed. As a part of this workshop the ToC, performance indicators and management arrangements will be updated and/or developed in consultation with DFAT and key partners.

Strategic monitoring and quality assurance

Quality assurance is a key issue for a complex program working in multiple countries with multiple M&E components. For this reason, the Program implementation team will be supported by a Strategic Advisory Team. The Strategic Advisory Team will support the DFAT Program Director and managing contractor through:

- › Program-Level strategic monitoring (i.e. strategic direction, relationships, team performance, communication)
- › Quality assurance of technical outputs (i.e. baselines, Political Economic Analysis, M&E Manual, reports, technical products)
- › Advice on institutional capacity building and fostering strong government-to-government relationships
- › Advice on the integration of GESI and DRRCC.

G. GENDER, DISABILITY, DISASTER RISK REDUCTION, CLIMATE CHANGE AND OTHER CROSS CUTTING ISSUES

Integrating GESI and DRRCC considerations in infrastructure investment

The ToC builds on the G20 Principles for QII that require GESI and DRRCC to be integrated in infrastructure design, with resilience and inclusiveness 'mainstreamed throughout the project life cycle'.⁴⁷ The Program will focus on integrating GESI and DRRCC into the three themes:

- › **Planning:** the beginning of the project planning process is the ideal time to assess and ensure that inclusivity and DRRCC is embedded throughout the project lifecycle, including management, supervision, monitoring and evaluation.
- › **Procurement:** The procurement stage provides an opportunity to specify to bidders the national or international design standards to be followed during the project's design and construction.
- › **Sector policy and regulations:** GESI and DRRCC must be a guiding principle which is embedded at the policy and regulatory level, and at every stage of the project lifecycle.

The Program's focus on the strategic and economic value of GESI and DRRCC is consistent with DFAT objectives. Championing the 'smart economics' of resilience and inclusion is an opportunity to entice governments with a modern 'new growth' narrative that addresses the challenges faced by countries in Southeast Asia.⁴⁸ By keeping the message focused on the strategic and economic value of GESI and DRRCC integration, the Program is more likely to influence the decision-makers that shape the political climate and

⁴⁷ G20 Principles for Quality Infrastructure Investment, section 5.2

⁴⁸ See: <https://dfat.gov.au/aid/how-we-measure-performance/ode/other-work/pages/smart-economics.aspx>.

thereby create the momentum for fundamental change.⁴⁹ Therefore, the Program's GESI and DRRCC selection criteria will be incorporated into the activity selection process.

Resilience-led infrastructure reduces project risk

Resilience is covered in the G20 Principles for QII and the Program will support countries operationalise these principles and other key declarations relevant to the region, notably the Vientiane Declaration on Promoting Infrastructure Development Cooperation in East Asia. These commitments stipulate that infrastructure should be viable, fit for purpose, address the needs of citizens and communities and is future proof. The Program will ensure that advice and support for infrastructure governance is resilient both in regard to disaster risk reduction, including climate change adaptation, and politically and socially resilient in respect of not causing or exacerbating conflict.

The Program will place GESI and DRRCC at the heart of infrastructure governance. It will help countries to reduce risk, making projects more investable. Interviews in Singapore with private sector investors and project managers support this approach. Coherent policy aimed at sustainable development is more likely to lead to a bankable project, which can attract capital participation from MDBs and the private sector as well as having securitisation potential. This in turn creates fiscal space by reducing lifetime cost and the cost of finance. Improving fiscal space by incrementally upgrading the policy coherence of infrastructure, could have flow on benefits for health and education expenditure and a positive knock-on impact for women and marginalised people. The use of the G20 Principles to integrate GESI and DRRCC is thus the means by which quality infrastructure can be achieved, and opportunities created for governments to address wider social issues.

The Program's four support modalities of G2G partnerships, quick response, TA and regional networking and learning, will integrate GESI across the three thematic areas. This will be done by recognising women, ethnic minorities, people living with disabilities and other marginalised groups as users of infrastructure and as contributors to how it will be designed, built and managed. The Program will encourage SEA government processes to include women in the planning process, the technical design, administration, economic governance and political leadership. The Program can link with existing networks and organisations working in this area. These include, the Women's Infrastructure Network; Male Champions of Change; ADB Women Leaders Program; and DFAT's Investing in Women program. Evidence shows that diverse teams are more effective, more rigorous and less likely to suffer 'group think' that leads to inappropriate infrastructure, so the Program will also work to promote female Australian government officials as role models for change.⁵⁰

Resourcing cross cutting issues

The Program will be consistent with DFAT's gender and disability strategies - Gender Equality and Women's Empowerment Strategy (February 2016); and Development for All 2015–2020: Strategy for strengthening disability-inclusive development in Australia's aid program (May 2015). As well as relevant DRRCC strategies - Reducing Disaster Risk and Early Recovery commitments in the Humanitarian Strategy (2016) and the Climate Change Action Strategy (November 2019). To ensure that GESI, DRRCC and disability themes are fully integrated into the work of the Program, there will be a full-time GESI adviser and a full-time DRRCC adviser with the same level of seniority as other lead advisers. The GESI and DRRCC advisers will have practical experience in sustainable development planning, spatial planning and/or infrastructure. A specific budget has been allocated to resource GESI and DRRCC activities. Further, the ToRs for all advisers will include GESI and DRRCC responsibilities. This picks up on lessons from other programs that found GESI and DRRCC is more likely to be successful if responsibility is shared across the team.

The first-year work program will include several specific GESI and DRRCC activities commencing with the design of a GESI and DRRCC strategy for the Program. The activities include:

49 'Targeted economic reforms and infrastructure projects increase economic empowerment of women and vulnerable or marginalised groups' DFAT's Facility Investment Design Template, Feb 2019.
50 For instance: Harvard Business Review (2016), 'Why Diverse Teams Are Smarter', <https://hbr.org/2016/11/why-diverse-teams-are-smarter>

- › Identification and support for at least two project proposals (ideally drawing from the ASEAN Rolling Priority Project Pipeline) that can benefit from better integration of GESI, DRRCC consideration and/or MEL
- › Team building activities to build knowledge and expertise in integrating GESI and DRRCC into the thematic areas
- › Analyses of a select number of pipeline projects (e.g. from ASEAN, Asian Infrastructure Investment Bank and Global Infrastructure Hub) against the G20 Principles (GESI and DRRCC). This would include a gap assessment of projects against the G20 Principles and recommended improvements. The objective is to generate a body of evidence, using real examples, of the steps required for infrastructure planning, procurement and sector policy and regulations to be executed in line with the G20 Principles.

See Annex 8 for further details.

Based on initial discussions with DFAT's Gender Equality Branch, the Program will also explore the potential for sourcing additional funding from the Branch to support shared learning activities.

Private sector

Opportunities to engage the private sector will be promoted through the private sector representative on the Governance Board. The private sector representative on the board will be regionally-based and could be drawn, for example, from a key regional body such as Singapore's Infrastructure Asia, a private sector focused regional initiative such as InfraCo Asia or a regional infrastructure investor such as Macquarie Bank. The private sector member on the board could also come from the ASEAN Business Advisory Council.⁵¹

In addition, the MEF will incorporate a private sector engagement indicator to track progress. The criteria for activity selection include an indicator for taking into consideration private sector participation. The strongest incentive for the private sector to participate will be generated from the potential commercial benefits arising from improved infrastructure governance.

The Program will also use regional learning and networking events to test the focus of the Program with the private sector. This will be part of reporting to the Governance Board and inform strategic direction. Formal ongoing relationships with relevant private sector bodies (e.g. Infrastructure Partnerships Australia or the Australian Sustainable Finance Initiative) will also be established to support feedback from the private sector.

H. BUDGET AND RESOURCES (WHAT WILL IT COST?)

The proposed budget for the Program is up to \$60m over four years (\$15m per year). However, current estimated annual expenditure is as follows: Year one – \$9.6m; Year two – \$12.8m; Year three – \$15.7m; and Year four – A\$15.8m totalling \$53.9m.⁵²

The costings have assumed that it will take time to establish the Program and ramp up activities. The budget for the first year has been divided into foundation activities and influencing activities. Foundation activities not only include the establishment of the Program and recruiting staff, but also the networking and relationship building that will be required, both in Australia and in SEA countries. The increase in budget in the fourth year is largely due to the increase in the number and size of G2G partnerships.

The largest single budget item is the funding for G2G partnerships. For the purpose of budget estimates, it is assumed that the Program will initially have four multi-year, multi-country partnerships. The actual budget breakdown (including country/agency split) will be refined during the first year, following political economy analysis and partnership negotiations. The budget estimate was based on information collected on existing partnerships between Australian agencies and their SEA counterparts (for instance the ACCC's Competition Law Implementation Program). The second largest budget item consists of the long-term advisors, who will build the strong technical links and networks and provide the initial quick responses. They also underpin the G2G relationships. The third largest item is MEL, followed by short term technical advice and regional networking and learning.

⁵¹ See: <https://www.asean-bac.org/asean-bac>

⁵² The Program is intended to be a 4+4 year Program, subject to funding and passing the end of four-year review process.

Once a set of activities has been agreed and approved, the Program will provide partial or full funding. A typical funding arrangement will be for up to two years with funds transferred on a six-monthly basis. Individual funding arrangements for each Australian government agency participating will need to be developed. Some of this work will be able to take place prior to the Program launch. Over time, the Program will seek co-funding contributions to support sustainability.

Resources

Bangkok. It is proposed a Bangkok-based DFAT (EL2) position lead the Program as Program Director, supported by two locally engaged staff and 0.5 FTE of an EL2 based in the Bangkok embassy. The DFAT Bangkok staff will be assisted by DFAT Canberra to manage relationships with the Australian government agencies. The DFAT Program Director will be further supported by a managing contractor team. The DFAT Program Director and the managing contractor will be co-located at an office in Bangkok. The Contract Manager will take on day to day operational decision-making in the absence of the DFAT Program Director, but strategic decision-making will be undertaken by the EL2 in the mission (this position has regional program responsibilities) or be deferred until the Program Director returns. Two LE6 DFAT locally engaged staff will be split between the Embassy and the Program office. They will be an important source of support to the Program Director and, along with the Embassy based EL2, ensure adherence to and delivery of DFAT corporate and aid management processes.

The Program's indicative budget also includes funding for up to four additional LE staff to support posts engage with the program.

Canberra. 0.5 FTE of a DFAT Canberra-based EL1 in the Southeast Asia Regional Engagement Branch will manage and assist Australian government agency relationships. The EL1 will be supported by the managing contractor including:

- › Logistics and administrative support for Australian Government partner agencies
- › MEL support for Australian Government partner agencies
- › Activity design and procurement of TA support for Australian Government partner agencies.

I. PROCUREMENT AND PARTNERING

A managing contractor will be selected through competitive tender to support DFAT to deliver the Program.

The proposed timeframe for the Program to become fully functional is as follows:

- › approval of Investment Design Document by end of 2019
- › approach to market beginning of 2020
- › selection and mobilisation by mid-2020
- › establishment and foundation activities during second half of 2020
- › Program fully operational by end of 2020

J. RISK MANAGEMENT AND SAFEGUARDS (WHAT MIGHT GO WRONG?)

The following outlines key risks and proposed mitigating actions:

- › **Environment and social safeguards:** Poor quality technical advice on specific reforms or infrastructure development. Mitigating action: All activities will be screened for meeting environment and social safeguards. The Program tender will require a demonstrated capability to draw on Australian government, private sector and international expertise in supporting infrastructure projects. For areas where this is not available the Program will draw on multilateral development or other partners to take the lead.
- › **Environment and social safeguards:** Program-supported reforms and projects do not adequately address GESI and DRRCC approaches. Mitigating action: The Program design includes specific resources for providing 'top-up' funding for including GESI and DRRCC. The design also includes dedicated positions for GESI and DRRCC. The MEL framework makes specific reference to measuring and reporting on GESI and DRRCC.

- › **Environment and social safeguards:** Significant disasters and the impacts of climate change could affect existing and proposed infrastructure. Mitigating action: The Program will support country-level diagnostics and provide all advice and support to include DRRCC consideration. Where relevant the Program will support planning for reconstruction (this could include access to technical advice and support for quality materials supply chains) to enable partner countries to maximise opportunities to build back better.
- › **Environment and social safeguards:** There are low risks of Sexual Exploitation, Abuse and Harassment (SEAH), given that the Program will not directly implement infrastructure programs. However, to mitigate against any possible risk, the Program will undertake an assessment of SEAH risks and apply relevant standards from DFAT's PSEAH Policy.
- › **Operating environment:** Posts and partner countries are unable to effectively utilise Program resources. Mitigating action: The Program will support country-level diagnostics to ensure it takes account of other development partners and Australia's comparative advantage. The Program will have an active mandate and commit resources to reduce fragmentation and improve coherence between bilateral, regional, multilateral and private sector initiatives operating in Southeast Asia.
- › **Partner capacity and relations:** Australian partner agencies do not have relevant and transferrable expertise. Mitigating action: The design process consulted extensively with Australian agencies and SEA counterparts. This provided an initial assessment of relevant agency expertise. Activity selection processes have been structured to identify issues where there is demand and agencies have matching expertise and interests. A key objective is building relationships and networks to share information around the experience of implementing policy and practice changes.
- › **Resources, management and planning:** A multi-country approach to infrastructure is disconnected from bilateral programming. Mitigating action: The Program will produce Country Engagement Strategies to help ensure all bilateral programming is integrated into partnerships, and any 'regional' approaches are focused on issues such as connectivity, regional architecture and dialogues, knowledge management, coordination and benchmarking reforms.
- › **Resources, management and planning:** Strategic focus of the Program is diluted resulting in proliferation of activities. Mitigating action: The Program design has ensured all design and M&E quality standards were met, including well defined strategic intent, measurable outcomes and adequate resourcing and governance arrangements. Active management and monitoring during implementation will be in place to avoid strategic drift.

Environmental and social safeguards

An environmental and social safeguards policy will be developed for the Program based on DFAT and international standards. All staff, whether short term or long term, will be required to follow DFAT's Environmental and Social Safeguard Policy that came into effect 1 January 2018. Activity selection includes Environment and Social Safeguards Criteria as a specific investment screening tool. The Environmental and Social Safeguards standards that will be incorporated in implementation, monitored and complied with include:

- › **Environmental protection:** DFAT's Environment Protection Policy 2014 and its associated Operational Procedures
- › **Children, vulnerable and disadvantaged groups:** DFAT's Preventing Sexual Exploitation, Abuse and Harassment (PSEAH) Policy
- › **Displacement and resettlement:** DFAT's Displacement and Resettlement of People in Development Activities Policy 2015
- › **Indigenous peoples:** DFAT's Indigenous Peoples Strategy 2015-2019: A Framework for Action
- › **People with Disabilities:** DFAT's Disability Action Strategy 2017-2020
- › **Health and safety risks:** DFAT's Work Health and Safety Management System, including the Officer Due Diligence Manual, and associated guidance.

ANNEX 1: FIELDWORK FINDINGS – AREAS OF POTENTIAL COLLABORATION

The Program design team consulted with government, regulators, CSO's, Australia's existing programs, multi- and bi-lateral donors, ASEAN, and the private sector across Southeast Asia. There was broad interest in working with Australia through the proposed Program. Areas of potential collaboration are outlined below.

Country	Area of Potential Collaboration
Cambodia	<ul style="list-style-type: none"> – Inclusion of gender, sustainability and climate change in feasibility studies – Climate-proofing projects in planning and design, especially in transport and water management – Public Investment Management framework implementation – PPP Law implementation support, including risk sharing, contract management, unsolicited proposal management – Solid waste management (including waste-to-energy) sector strategy and policy.
Indonesia	<ul style="list-style-type: none"> – Gender and social inclusion in planning (e.g. disabled groups' input to transport planning) – Planning and prioritisation of projects with independent, integrated national perspective – Cost-benefit analysis, including whole-of-lifecycle and climate risk/resilience approaches – Procurement strategy for different projects (e.g. choices between public procurement, PPP or hybrid models) – Probity advice and supervision in procurement – Sector regulation, especially tariff setting, in both energy and water sectors.
Lao PDR	<ul style="list-style-type: none"> – Social inclusion, for example ethnic minorities and displaced communities, in planning processes – Climate resilient infrastructure in the transport sector – Quality of feasibility studies, especially cost-benefit analysis, including whole-of-lifecycle approaches – Transparency and probity advice in procurement – Water sector policy and regulation, with a focus on capacity building – Power grid management and cross-border energy trading management.
Malaysia	<ul style="list-style-type: none"> – Broad stakeholder consultation in infrastructure planning processes, regulation and project implementation – Climate resilient infrastructure and sustainability in the transport sector – New procurement law implementation (when passed), including whole-of-lifecycle and value-for-money approaches – Procurement strategy for different projects (e.g. choices between public procurement, PPP or hybrid models) – Energy market operations in the context of renewables transition and contestable supply.
Myanmar	<ul style="list-style-type: none"> – Climate resilient infrastructure planning – Planning and prioritisation through rigorous, consistently applied processes – New Procurement Law implementation (when developed and passed) – Unsolicited proposal management – Energy sector policy and regulation in the context of electrification gap and potential of renewables.
Thailand	<ul style="list-style-type: none"> – Stakeholder consultation and social impact assessments in infrastructure planning and project implementation – Climate change risk analysis in planning and prioritisation – Prioritisation of ACMECS pipeline and also PPP pipeline through comprehensive cost-benefit analysis – PPP law implementation support, including risk sharing and contract management – Energy market operations – Power grid stability with new sources of generation (including storage).
Vietnam	<ul style="list-style-type: none"> – Gender equality and social inclusion (including for disabilities) in national planning processes – Climate resilience through whole-of-lifecycle approaches for environmental approvals – National project prioritisation through rolling pipeline – Public procurement implementation, especially boosting competitive tendering – New PPP Law implementation (when passed) – Probity advice and supervision in procurement – Energy sector strategy and regulation, particularly in relation to renewables (e.g. power purchase agreement framework) – Solid waste management strategy and policy.
ASEAN	<ul style="list-style-type: none"> – Supporting ASEAN countries to progress and implement infrastructure initiatives under relevant ASEAN work plans, including the Masterplan on ASEAN Connectivity, the Kuala Lumpur Transport Strategic Plan,

the ASEAN Plan of Action for Energy Cooperation, the ASEAN Strategic Plan on the Environment and the ICT Masterplan

- Supporting ASEAN member countries with activities to promote open trade, facilitation and cooperation in the energy sector, particularly for renewables, including by working with the ASEAN Centre for Energy.

ANNEX 2: LESSONS LEARNED FROM SIMILAR PROGRAMS

Lessons learned are presented in two parts. The first part summarises lessons learned for managing facilities and come from a recent (2018) independent review of a select number of facilities. Although the Program is not a facility, this review holds relevant lessons for implementation. The second part draws on a range of reviews and assessments of ODA investments and covers broader topics of government partnerships, GESI and regional approaches to delivering ODA.

Review of selected DFAT Facilities: key lessons⁵³

- › For facilities to contribute better results than other aid delivery modalities, they need to be carefully structured and very well managed by DFAT. Putting discrete activities under a single contractor is not in and of itself sufficient.
- › Far from enabling DFAT staff to adopt a less ‘hands-on’ approach, facilities require intensive and ongoing DFAT oversight, engagement and management of both the development content and the delivery process.
- › High quality aid policy development, strategic programming and effective aid delivery depend on fostering and retaining staff who can: engage in deep, content-oriented policy dialogue with partner governments; establish and manage contracts with delivery partners that enable rather than constrain effective aid delivery; and make quality choices about activity focus (and how/when these need to change) that optimise results (effectiveness and VfM). DFAT has some of this, but not enough – in either breadth or depth. As a result, aid management can end up being more transactional than transformational.
 - This is a real concern for the management of facilities, which tend to be especially complex (because of the degree of flexibility that needs to be shaped and managed; the likely need to oversee activity programming and design during implementation; and, in some cases, the higher visibility and political sensitivity that comes with large size).
 - Within DFAT, program management needs to be put in the hands of staff with the highest level of development and management expertise available. That is currently more feasible in some countries than others and may need closer corporate attention.
- › Unrealistic assumptions are being made (some explicit, some implicit) by designers, bidders and DFAT itself about what is achievable over the life of a facility and especially during the inception phase. At present, expectations do not take sufficient account of the many complexities that affect progress. This places added pressure on DFAT staff managing large or otherwise complex facilities.
- › Many data problems prevent firm conclusions being made about efficiencies in managing contractor costs. In the absence of more detailed analysis, the available data suggest that facility operating expenses may not in fact be much different to those of predecessor activities. Acknowledging that this may not be a fair conclusion for all sorts of reasons, the fact that it contradicts commonly held assumptions indicates that this is an area in need of deeper review.
- › Effective facility management depends heavily on establishing and maintaining trust, open communication and a genuine partnership relationship between DFAT and its contractors. This is not always established early enough but, where it has been achieved, performance issues have been dealt with successfully.
- › Careful structuring of the criteria against which management fees are paid can provide a tool for objective assessment of contractor performance at key points, ensuring that DFAT and contractor incentives are balanced appropriately.
- › Having a single DFAT position as the point of accountability for facility issues is important, for partner governments and for managing contractors.

⁵³ Pieper, Lynn (2018) Review of Selected DFAT Facilities Independent Consultant Report to DFAT (Key Findings).

Lessons learned from government partnerships, GESI and regional approaches to delivering ODA in SEA and other relevant programs, include:

- › Australia’s bilateral programs are the most effective means to achieve country-level influence and impact. Investing in long-term relationships with counterpart institutions is key to building trust. Investments need to take a low profile in helping reform efforts and retain flexibility to scale activities up as their context evolves.⁵⁴
- › Australia’s ASEAN and regional programs are well placed to address cross-border issues. DFAT’s work to support the Masterplan on ASEAN Connectivity 2025 (MPAC) has supported common standards on infrastructure prioritisation and planning for connectivity projects and has given us significant equities with ASEAN.
- › Recent evaluations suggest investments need a more structured way of accessing analysis in areas such as economic growth opportunities and constraints, drivers of inequality, political economy and vulnerability to shocks and crises.⁵⁵ A similar case could also be made for gender equality analysis and accessing M&E resources.
- › Reforms need to be ‘technically sound and politically feasible’ and emerge through a problem-solving process. Imposing ‘best practice’ reforms with limited attention to context and political economy fail.⁵⁶
- › Advisers need the right mix of technical, capacity building and people skills to be influential and sensitive to political contexts. Indonesia’s PROSPERA program now integrates Australian government deployees with local and international technical assistance to support a set of agreed reforms.
- › Demonstration projects need to be explicit and linked to policy reform. Demonstration pilots in Indonesia have been effective in showcasing quality and testing new approaches to be taken to scale by Government.
- › Australia can better leverage its MDBs investments in these sectors. MDBs have a comparative advantage in highly technical areas, international experience and large balance sheets which Australia can’t replicate.
- › Robust risk management and M&E systems are essential. An ANAO performance audit of Australian infrastructure initiatives found that key risks were not actively managed, particularly in relation to the complexity of costs of work and visibility over implementing partners’ compliance with our frameworks.⁵⁷
- › G2G partnerships work well when they are supported by a range of other modalities, including support for logistics and continuity through flexible arrangements.⁵⁸
- › The Review of the Indonesia Transport Safety Assistance Package (ITSAP) 2014/15 & the Australian Maritime Safety Authority (AMSA) Search and Rescue Project 2012-2015 found that “A range of delivery approaches have been used in ITSAP. The key lesson is to tailor the delivery method to the particular task.” A number of more specific lessons were also identified and can be found in the review.⁵⁹
- › DFAT also supports a number of small initiatives to improve the effectiveness and efficiency of safeguard implementation in infrastructure projects that provide lessons for the current proposed Program. These include the World Bank Australia Safeguard Partnership (WBASP) which has safeguard learning centres established in Manila and Hanoi and currently being developed in Myanmar and Jakarta. Lessons include the importance of specific learning on resettlement and working with indigenous people is vital to the effectiveness of infrastructure investments.
- › The WBASP and other smaller DFAT investments related to social safeguard policies have also provided important lessons that contribute towards sustainable poverty reduction. The learning from WBASP helps with policies to prevent and mitigate undue harm to people in the development process. Safeguard policies have often provided a platform for the participation of stakeholders in project design and have been an important instrument for building ownership among local populations.

⁵⁴ ODE (2018) Investing in Regional Prosperity: Positioning the Aid Program to Support Economic Partnerships in Asia.

⁵⁵ ODE (2018) Investing in Regional Prosperity: Positioning the Aid Program to Support Economic Partnerships in Asia.

⁵⁶ Andrews (2013) The Limits of Institutional Reform in Development: Changing Rules for Realistic Solutions.

⁵⁷ ANAO (2013) Performance audit no.39: AusAID’s Management of Infrastructure Aid to Indonesia.

⁵⁸ DFAT (2017) Australia Indonesia Economic Cooperation Partnership (AIECO) Investment Design Document 2017 (later renamed Prospera).

⁵⁹ The review can be found at: <https://dfat.gov.au/about-us/publications/Documents/indonesia-trans-safety-assist-package-2014-15-and-amsa-search-rescue-project-2012-15-ind-review.pdf>

ANNEX 3: GENDER EQUALITY AND SOCIAL INCLUSION AT THE HEART OF QUALITY INFRASTRUCTURE

The Australian Government recognises the importance of infrastructure development for inclusive economic growth, poverty reduction and women's economic empowerment.⁶⁰ Australia's aid policy sets a goal to 'improve access to infrastructure services to facilitate private sector and human development and promote women's participation and empowerment'.⁶¹ Similarly, Australia's aid program recognises the needs of people with disabilities for accessible infrastructure to access and participate in opportunities such as employment, education and health services.⁶²

The Program design is informed by Australia's leadership on gender equality and social inclusion (GESI), as well as the growing global recognition of the importance of quality infrastructure to drive inclusive economic growth and the need to plan infrastructure around the evolving needs of people in a resilient way, while being flexible enough to cope with social, environmental and economic challenges.

Although these themes are gaining wider recognition, a review of recent reports and guidance documents for global infrastructure projects showed there is still limited coverage on social considerations in comparison to resources dealing with economic efficiency and infrastructure governance. Resources dealing with social considerations primarily focus on the methodologies for assessing the social impacts of projects, and on capacity building to undertake such social impact assessments. There is relatively little detailed guidance on specific social consideration issues – such as gender considerations, disability, occupational health and safety, and job creation.⁶³

Infrastructure has been described as gender neutral, but in the absence of detailed analysis of the differing impacts of infrastructure on different groups, it is more accurately described as gender blind.⁶⁴ Integrating GESI into the planning and execution of infrastructure development is a means to future-proof the project, spend capital more wisely and achieve wider goals of shared prosperity and peaceful societies. It is, as DFAT describes it, 'smart economics', not merely a 'box-ticking' exercise.⁶⁵ Through integrating gender equality into economic infrastructure development, the contribution to economic growth is increased.⁶⁶

Furthermore, universal design in infrastructure can empower people living with disabilities to lift themselves out of poverty by enabling employment and access to services. Ensuring people living with disabilities are active participants in planning, decision making and testing infrastructure leads to better design. The Program supported activities should thus be designed in accordance with DFAT's Accessibility Design Guide: Universal Design Principles for Australia's Aid Program.⁶⁷

Gender equality and social inclusion is essential to coherent policy

The challenges facing infrastructure development that the Program will need to address, include lack of political will, lack of technical capacity, scarcity of capital, but at a higher level what threads together much of the findings from recent research is a lack of *policy coherence*, which undermines project planning, prioritisation, appraisal, execution and maintenance. The consequences are inappropriate infrastructure, vanity projects, wasted money, and negative outcomes falling disproportionately upon poor and more vulnerable members and communities in society: women, girls, ethnic minorities, people living with disabilities and indigenous peoples. Incoherent policy is also likely to exacerbate the risks arising from climate change, which will reinforce disadvantage and poverty in marginalised groups. Other challenges identified relating to GESI in the infrastructure sector include⁶⁸:

60 DFAT (2017) Investing In Roads: Lessons From The Eastern Indonesia National Roads Improvement Project. Complete Evaluation, Office of Development Effectiveness (ODE)

61 GoA Office of Development Economics (2014) 'Smart economics: evaluation of Australian aid support for women's economic empowerment'

62 Development for All 2015-2020: Strategy for strengthening disability-inclusive development in Australia's aid program (2015)

63 <https://www.github.org/blog/single-stop-for-quality-infrastructure-guidance-launched/>

64 DFAT (2017) Investing In Roads: Lessons From The Eastern Indonesia National Roads Improvement Project. Complete Evaluation, Office of Development Effectiveness (ODE)

65 GoA Office of Development Economics (2014) 'Smart economics: evaluation of Australian aid support for women's economic empowerment'

66 Commonwealth of Australia, DFAT, Strategy for Australia's aid investments in economic infrastructure, June 2015.

67 Commonwealth of Australia, DFAT, Strategy for Australia's aid investments in economic infrastructure, June 2015.

68 Indonesia Australia Infrastructure Partnership (KIAT)

- › lack of knowledge and capacity to implement partner government GESI policies
- › insufficient data on GESI to inform decision makers and their advisers
- › focus on outputs rather than outcomes
- › poor quality social and environmental impact assessments in project preparation
- › under representation of women in the sector
- › lack of community engagement
- › lack of understanding about disability access
- › gender neutral policy making
- › indigenous peoples and people with HIV.

The best possible way to anticipate the likely side effects of any infrastructure decision is to include broad consultation with women, ethnic minorities, indigenous peoples and marginalised groups recognising them as both users of the infrastructure and as contributors to how it will be designed, built and managed.

G20 Principles and the opportunity for the Program

In June 2019 the G20 endorsed the Principles for Quality Infrastructure Investment as the G20’s ‘common strategic direction and high aspiration’. The G20 Principles place social and environmental considerations at the heart of infrastructure planning, procurement and sector policy and regulation, and the design of this Program is consistent with that approach.⁶⁹ This reflects how capital investment markets have increasingly encompassed socially responsible investing in recent years, building on the IFC’s ‘Equator Principles’. For infrastructure to be considered an ‘asset class’, investors are often demanding it meet new standards of resilience and sustainability. Addressing the social and environmental aspects of development planning at an early stage, with transparency and consultation throughout the process, is the only sure way to ensure that economic and financial benefits will be gained from high-quality infrastructure.

This represents an opportunity for the Program to show practical ways in which infrastructure projects can be improved in order to meet the aspirations of the G20 Principles.

Summary of G20 Principles for Quality Infrastructure

G20 Principles	Details of Principle
1: Maximising the positive impact of infrastructure to achieve sustainable growth and development	1.1 Setting off a virtuous circle of economic activities 1.2 Promoting sustainable development and connectivity
2: Raising Economic Efficiency in View of Life-Cycle Cost	2.1 The life-cycle costs and benefits of infrastructure investments should be taken into consideration in ensuring efficiency 2.2 Infrastructure projects should include strategies to mitigate the risks of delays and cost overrun, and those in post-delivery phases. 2.3 Innovative technologies should be leveraged through the life-cycle of infrastructure projects, where appropriate, to raise economic efficiency for existing and new infrastructure
3: Integrating Environmental Considerations in Infrastructure Investments	3.1 These environmental considerations should be entrenched in the entire life-cycle of infrastructure projects. 3.2 The environmental impact of infrastructure investment should be made transparent to all stakeholders.

⁶⁹ The G20 Principles will build on compliance with DFAT’s Environmental & Social Safeguards Policy.

G20 Principles	Details of Principle
<p>4: Building Resilience against Natural Disasters and Other Risks</p>	<p>4.1 Sound disaster risk management should be factored in when designing infrastructure.</p> <p>4.2 Well-designed disaster risk finance and insurance mechanisms may also help incentivise resilient infrastructure through the financing of preventive measures.</p>
<p>5: Integrating Social Considerations in Infrastructure Investment</p>	<p>5.1 Open access to infrastructure services should be secured in a non-discriminatory manner for society.</p> <p>5.2 Practices of inclusiveness should be mainstreamed throughout the project life cycle.</p> <p>5.3. All workers should have equal opportunity to access jobs created by infrastructure investments, develop skills, be able to work in safe and healthy conditions, be compensated and treated fairly, with dignity and without discrimination.</p> <p>5.4 Safe and healthy occupational conditions should be put in place, both at the infrastructure site and in the surrounding communities.</p>
<p>6: Strengthening Infrastructure Governance</p>	<p>6.1 Openness and transparency of procurement should be secured to ensure that infrastructure projects are VfM, safe and effective and so that investment is not diverted from its intended use.</p> <p>6.2 Well-designed and well-functioning governance institutions should be in place to assess financial sustainability of individual projects and prioritise among potential infrastructure projects subject to available overall financing.</p> <p>6.3 Anti-corruption efforts combined with enhanced transparency should continue to safeguard the integrity of infrastructure investments</p> <p>6.4 Access to adequate information and data is an enabling factor to support investment decision-making, project management and evaluation.</p>

Strategy for integrating GESI into quality infrastructure

The Program recognises the intersection within infrastructure governance between practices of good decision-making and GESI and DRRCC. For example, a characteristic of good infrastructure delivery is good procurement procedures that promote transparency and accountability - elements necessary for value for money and resource efficiency. The Program will consider and explicitly promote GESI within its three themes. Improved procurement standards and increased accountability procedures in SEA infrastructure development will inform the behaviour, mindset, and skills not only within the sector/ contracting authorities but also among market participants (in the sector and beyond), where they can have confidence that competition is possible on known and fair criteria rather than having to resort to non-competitive, corrupt practices or investments in special relationships with public authorities - relationships that can increase entry barriers and distort sound market practices. This especially helps women entrepreneurs, as women more often have to pay “speed money” or bribes as they deal with bid processes, business enterprise regulators, or even when they take their children to the hospital and school. Women are also more likely to be asked for sexual favours instead of bribes, further reinforcing their vulnerability. Therefore, the Program will emphasise the intersections within infrastructure governance between practices of good decision-making and GESI and DRRCC and work in these ways.

It will achieve this through a strategy that illustrates the benefits of incorporating the G20 QII principles into each partner country’s infrastructure planning, procurement and sector policy, and in particular

demonstrate how GESI and DRRCC is the most appropriate entry point. Through working with counterparts, the Program can build a reform narrative around how improving policy coherence reduces risk, making projects more investable through lower cost of finance. Coherent policy committed to sustainable development and GESI is more likely to lead to a bankable project, which can attract capital participation from MDBs and the private sector and has securitisation potential. This, in turn, supports economic governance by reducing lifetime cost and the cost of finance. This widens the fiscal space, allowing governments to invest more in health and education, a policy choice which is more likely when women are involved in political decision-making. In a way, simply improving fiscal space by incrementally upgrading the policy coherence of infrastructure, could have knock-on positive impacts for women and marginalised people. GESI is thus both the means by which quality infrastructure can be achieved, and the ends for which smart government should be most concerned.

Team composition

In order to ensure that the GESI and DRRCC themes are fully integrated into the work of the Program, and share the same status, a full-time GESI adviser (LTA) and a full-time DRRCC adviser will be employed for at least the first two years of the Program, with equal seniority as the other lead advisers. A lesson learned from other programs that have tried to integrate GESI as a cross-cutting theme, is that it is less likely to be successful if responsibility for delivering it is not equally shared across all senior staff. Therefore, the ToRs for all advisers will need to include a GESI element. Furthermore, the GESI adviser should ideally have practical experience in sustainable development planning, spatial planning and/or infrastructure.

Proposed Program Strategy

A GESI Strategy will be formulated in the first year of the Program's operation that will ensure GESI considerations are fully integrated in all activities. This will be achieved through a combination of demand promotion and demonstration activities to promote the benefits of GESI and DRRCC in the planning, procurement, and sector policies and regulations of country partners. This strategy will include the following elements:

- › Gap Assessment. Take a select project from one of the ASEAN, Asian Infrastructure Investment Bank (AIIB) or Global Infrastructure Hub infrastructure pipelines and test it against the G20 QII Principles. This will provide an understanding of what it would take for a project to meet the G20 Principles. The objective is to generate a body of evidence that illustrates the steps by which infrastructure planning, procurement and sector policy and regulations can be executed in line with the G20 Principles.
- › Tactical Response. Undertake an activity designed to respond to the need identified in the Gap Assessment. This may need to be funded by the Program itself, perhaps in partnership with other donors. This would see the Program fund an element to strengthen the GESI considerations of the above project and further the body of evidence that quality infrastructure is inclusive and addresses social inequity. E.g. the Program could support a project consultation process, or impact analysis.
- › Regional Networks and Learning Events, including enhancing opportunities for existing GESI fora such as the Women's Infrastructure Network, Male Champions of Change, ADB Women Leaders Program, and DFAT's Investing in Women.
- › Where possible, link with disability advocates and civil society organisations for disability and children. Seek opportunities to work with local councils and informal community governance structures in order to have a community driven and culturally sensitive approach to inclusion.
- › All individuals providing services through the Program will be required to undergo GESI training/orientation so that irrespective of their input they understand how to operationalise GESI considerations into their work.
- › Institutional support by agencies involved in G2G partnerships to the counterpart agency in the host country. For instance, knowledge management, providing training opportunities to increase the understanding of the intersection between infrastructure and GESI expertise. Training opportunities

could include the Australia Awards, para-professional training or internships in private sector companies in Australia or in the host country. The aim is to build a diverse cohort of people within host governments who understand these issues, thereby building the demand for the G20 Principles and the services the Program can provide.

- › Supporting the adoption of the comprehensive Inclusive Infrastructure Reference Tool developed by the G20 Global Infrastructure Hub, which provides guidance and shares leading practices to maximise the impact of infrastructure projects on reducing inequality and promoting shared prosperity.⁷⁰ The Program could use this practical tool to help governments and other stakeholders understand and implement the critical success factors that deliver inclusive infrastructure, with a focus on planning, procurement, and sector policy and regulation.
- › Support to existing DFAT infrastructure investments in SEA. The Program could become an advocate for the importance of the G20 QII Principles, and a knowledge hub for how GESI and DRRCC aspects can be implemented.
- › Consider the extent and role of women in agencies and the perspectives they bring to technical and managerial work.

⁷⁰ The Global Infrastructure Hub is based in Sydney and staffed by infrastructure professionals from public and private sector backgrounds from around the world. The GI Hub has a mandate to grow the global pipeline of quality, bankable infrastructure projects.

ANNEX 4: THEMATIC FOCUS OF THE PROGRAM

Strategic and programmatic focus will be critical for the Program to meet its objectives. The landscape of countries and infrastructure issues is broad, but impact and relationships will come only with sustained engagement. In addition, the Program will rely on a broad range of individuals including DFAT Posts and G2G partners to communicate clearly with many stakeholders about what the Program is trying to achieve and how. The risk of mixed messages and confusion is high.

The Program will build its brand around a small number of thematic areas of Australian expertise represented by the Australian government agencies that participate, which can address identified needs and opportunities for impact in partner countries. The themes should be broad enough to provide flexibility for the Program to meet needs as they evolve over time, but specific enough to provide a clear value proposition to partner countries.

The Program will focus on fewer, deeper relationships with Australian agencies. This simplifies program management and (most importantly) allows the Program to be a meaningful part of the Australian agency’s strategy and capability plan.

The following criteria were used to prioritise the thematic focus of the Program:

- › **Impact:** Will programs / interventions under this theme deliver improvements in infrastructure-related decision-making?
- › **Australian distinctiveness and depth of expertise:** Are the issues under this theme best addressed by an Australian development program such as this one (as opposed to another government or multi-lateral development bank, for example)? Is there sufficient capacity in the Australian infrastructure ecosystem to provide programmatic support under this theme?
- › **Complementarity, not duplication:** Will programs / interventions under this theme add to existing Australian or other (e.g. multi-lateral development bank) programs and/or advance Australian objectives for the relevant bilateral relationship?
- › **Value for money:** given the limited resources of the Program, can the theme be addressed in a cost-effective way to deliver significant benefits?
- › **Government-to-government benefit:** Does the theme lend itself naturally to programs / interventions that strengthen Australian government relationships in partner countries?

The prioritised thematic focus of the Program represents the importance of GESI and DRRCC in quality infrastructure. The G20 Principles for Quality Infrastructure Investment provide the underlying rationale for prioritising GESI and DRRCC as integrating themes addressed in all work of the Program. The final themes identified for the Program are centred heavily on infrastructure governance issues, specifically: Planning and Prioritisation, Procurement Implementation Support, and Sector Policy and Regulation. The themes, along with potential activities and Australian partner agencies are outlined in the table below.

Focus themes for the Program

Theme	Potential Multi-Country Activities	Potential source of Australian Expertise
Integrating Themes for Quality Infrastructure		
Gender equality and social inclusion (GESI) throughout infrastructure planning and delivery	<ul style="list-style-type: none"> – Embedding GESI criteria, processes and analyses into planning and prioritisation – GESI as smart risk management for project planning, design and implementation – Best practices and techniques to identify, analyse, baseline and monitor GESI issues 	<ul style="list-style-type: none"> – Victoria Department of Environment, Land, Water and Planning – Global Victoria – Non-government organisations – Universities
Disaster Risk Reduction and Climate change (DRRCC) in infrastructure planning and outcomes	<ul style="list-style-type: none"> – Embedding resilience factors into planning and prioritisation (e.g. future needs of communities impacted by climate change) – Risk analysis for natural hazards and future climate scenarios at project level – Cost-efficient design-standards and O&M strategies to climate-proof assets 	<ul style="list-style-type: none"> – Leading state planning and delivery agencies – Private sector (environmental and engineering consultants) – Non-government organisations – Universities

Theme	Potential Multi-Country Activities	Potential source of Australian Expertise
Infrastructure Governance Technical Themes		
Planning and Prioritisation of the project pipeline using a consistent and transparent ‘stage-gate’ approach supported by quality cost-benefit analysis (CBAs)	<ul style="list-style-type: none"> – Planning and prioritisation (‘pipeline’) governance process including gating criteria – Quality CBAs: GESI factors and climate risk/resilience (CCI) embedded into analysis – Quality CBAs: Whole-of-Lifecycle approach including operations and maintenance phase trade-offs and risk analysis – Stakeholder consultation best practices to understand GESI factors and other benefits, costs and risks 	<ul style="list-style-type: none"> – Infrastructure Australia – State-level infrastructure bodies
Procurement Implementation Support for infrastructure projects	<ul style="list-style-type: none"> – Procurement strategy: when to use different models for procurement (public procurement, PPP, hybrid) and tendering processes – Public Procurement implementation: supporting regulations and decision-making under standard public procurement laws – PPP implementation: decision-making for different models (e.g. availability payments), including risk allocation and contract management – Unsolicited Proposals: processes and decision-making support – Probity advice and supervision 	<ul style="list-style-type: none"> – Infrastructure and Project Financing Agency – State government procurement agencies and departments
Sector policy and regulation in key economic infrastructure sectors (e.g. electricity transmission and distribution, water utilities, toll roads)	<ul style="list-style-type: none"> – Energy Grid Stability in context of transition to renewables – Energy market governance and operations (including cross-border trading) – Water sector tariff, service and quality regulation – Solid Waste Management sector strategy (including Waste-to-Energy) – Efficient pricing frameworks (e.g. road pricing for different vehicle types) – Consumer protection and service obligation (e.g. service provision for electrification) regulation and enforcement 	<ul style="list-style-type: none"> – Australian Competition and Consumer Commission – Australian Energy Regulator – Independent Pricing and Regulatory Tribunal (NSW) – Essential Services Commission (Victoria)

A number of further themes were identified as areas of potential need at the diagnostic phase of the design but were not prioritised in the final design including:

- › **Sub-national capacity building for infrastructure governance:** A significant area of potential opportunity (especially for water and waste sectors) but assessed to have lower impact on overall infrastructure decision-making and on relationships. However, where there was clear impact and clear plans for national roll-out, subnational levels may be fertile ground for work on the prioritised themes.
- › **Innovative sources of financing:** Considered, but de-prioritised due to Australia’s expertise being unsuited to the development context (e.g. deep in asset recycling but shallow in bond markets). In many countries, asset recycling can only be addressed through SOE reform, which is much broader than the Program can realistically address. There appeared most appetite for financing in the countries where the opportunities were most limited (e.g. the less developed countries where domestic resources are often too shallow to support user-pays models).
- › **Detailed sector strategies for full lifecycle of assets (e.g. road maintenance, road safety):** Assessed as lower impact than efforts focused on governance which would have a greater ‘span’ across country infrastructure ecosystems.
- › **Cross-border infrastructure:** Assessed as likely to be duplicative of initiatives by World Bank, ADB and ASEAN Connectivity Masterplan.

The prioritised themes each resonated in different ways with partner country governments. The ‘heatmap’ of where the themes had most interest is provided in the following table. It is important to note that given that the design team’s country visits were very short, this heatmap should be seen neither as confirmation of specific opportunities nor exhaustive of potential opportunities. It provides several starting points for further discussions as the Program transitions into operation.

Themes with Significant Interest from SEA Partner Country Governments

Theme	Sub-theme	Malaysia	Thailand	Indonesia	Vietnam	Philippines	Cambodia	Lao PDR	Myanmar	Timor-Leste
Gender Equality and Social Inclusion	Embedding GESI criteria, processes and analyses into planning and prioritisation									
	GESI as smart risk management for project planning, design and implementation									
	Best practices and techniques to identify, analyse, baseline and monitor GESI issues									
Resilient Infrastructure	Embedding DRCC factors into planning and prioritisation (e.g. future needs of communities impacted)									
	Risk analysis for future climate scenarios at project level									
	Cost-efficient design-standards and O&M strategies to reduce risk to assets									
Planning and Prioritisation	Planning and prioritisation (‘pipeline’) governance process including gating criteria									
	Quality Cost Benefit Analyses: GESI and DRCC factors embedded into analysis									
	Quality Cost Benefit Analyses: Whole-of-Lifecycle approach including O&M phase trade-offs and risk analysis									
	Stakeholder consultation best practices to understand GESI factors and other benefits, costs and risks									
Procurement Implementation Support	Procurement strategy: different models (public procurement, PPP, hybrid) and tendering processes)									
	Public procurement implementation: supporting regulations and decision-making									
	PPP implementation: decision-making, including risk allocation and contract management									
	Unsolicited proposals: processes and decision-making support									
	Probity advice and supervision									
Sector Policy and Regulation	Energy grid stability in the context of a transition to renewables									
	Energy market governance and operations (including cross-border trading)									
	Water sector tariff, service and quality regulation									
	Solid Waste Management sector strategy (including Waste-to-Energy)									

Theme	Sub-theme	Malaysia	Thailand	Indonesia	Vietnam	Philippines	Cambodia	Lao PDR	Myanmar	Timor-Leste
	Efficient pricing frameworks (e.g. road pricing for different vehicle types)			■						
	Consumer protection and service obligation regulation and enforcement	■								

ANNEX 5: INCORPORATING DISASTER RESILIENCE AND CLIMATE CHANGE IN INFRASTRUCTURE

Infrastructure is recognised as critical for development but typically has a long service life, often extending over many decades. This leaves countries' existing and future infrastructure investments vulnerable to changes in climate conditions that may take place in both the near and longer terms.

Infrastructure is also a key determinant of greenhouse gas emissions. According to the Global Commission on the Economy and Climate: "Given most infrastructure assets last for 30–50 years or longer, the choices made about infrastructure investment may "lock in" emissions levels for decades. This is particularly the case for energy systems, e.g. whether investments are made in coal-fired power or renewables, and for transport and urban design, e.g. whether cities are built in compact and connected forms with good public transport, or exacerbate sprawl and car dependence. How existing infrastructure is upgraded will also determine the extent of "lock in" to future emissions." Investing in low-carbon infrastructure can provide attractive benefits for both economic growth and climate change mitigation.

The economic argument for resilient infrastructure is strong. The World Bank's report, *Lifelines: Resilient Infrastructure Opportunity* (2019), finds that "investing \$1 in more resilient infrastructure is beneficial in 96 per cent of thousands of scenarios exploring possible future socioeconomic and climate trends. In the median scenario, the net benefit of investment in more resilient infrastructure in low- and middle-income countries is \$4.2 trillion, with \$4 in benefit for each \$1 invested. Climate change makes action on resilience even more necessary and attractive: on average, it doubles the net benefits from resilience."

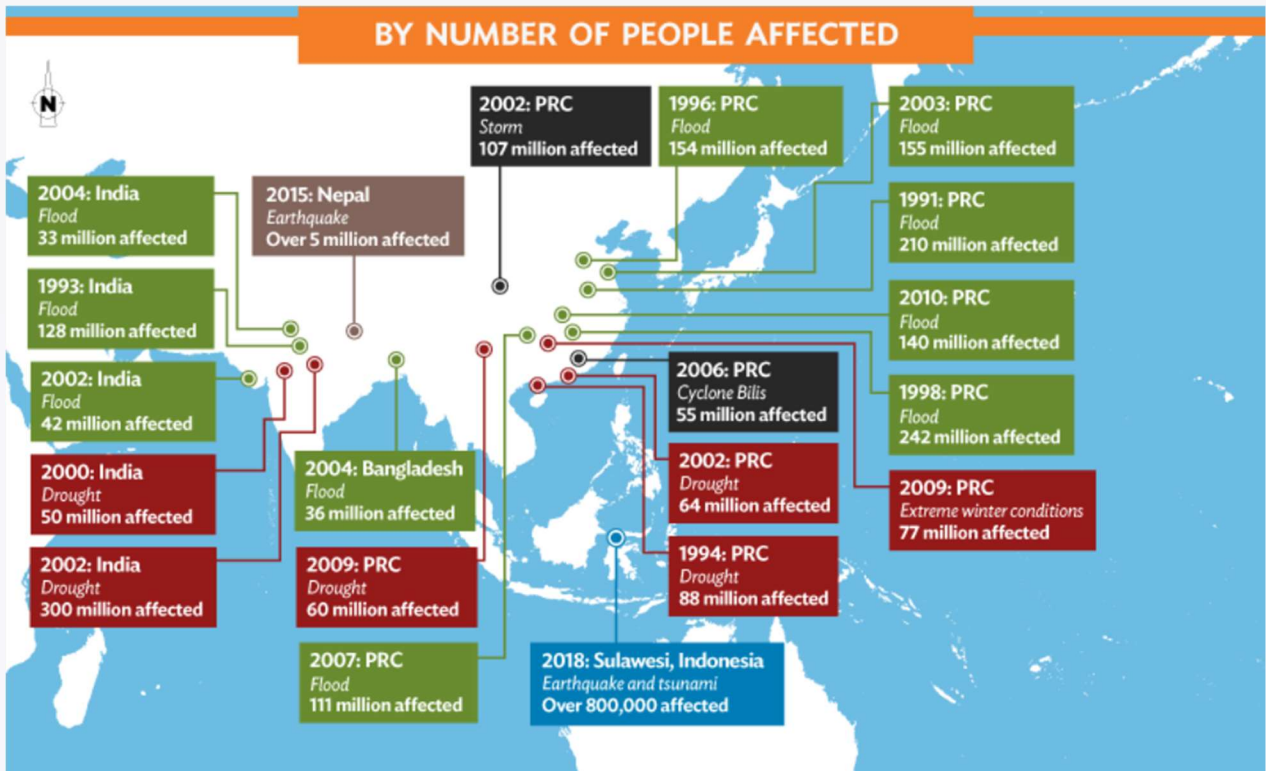
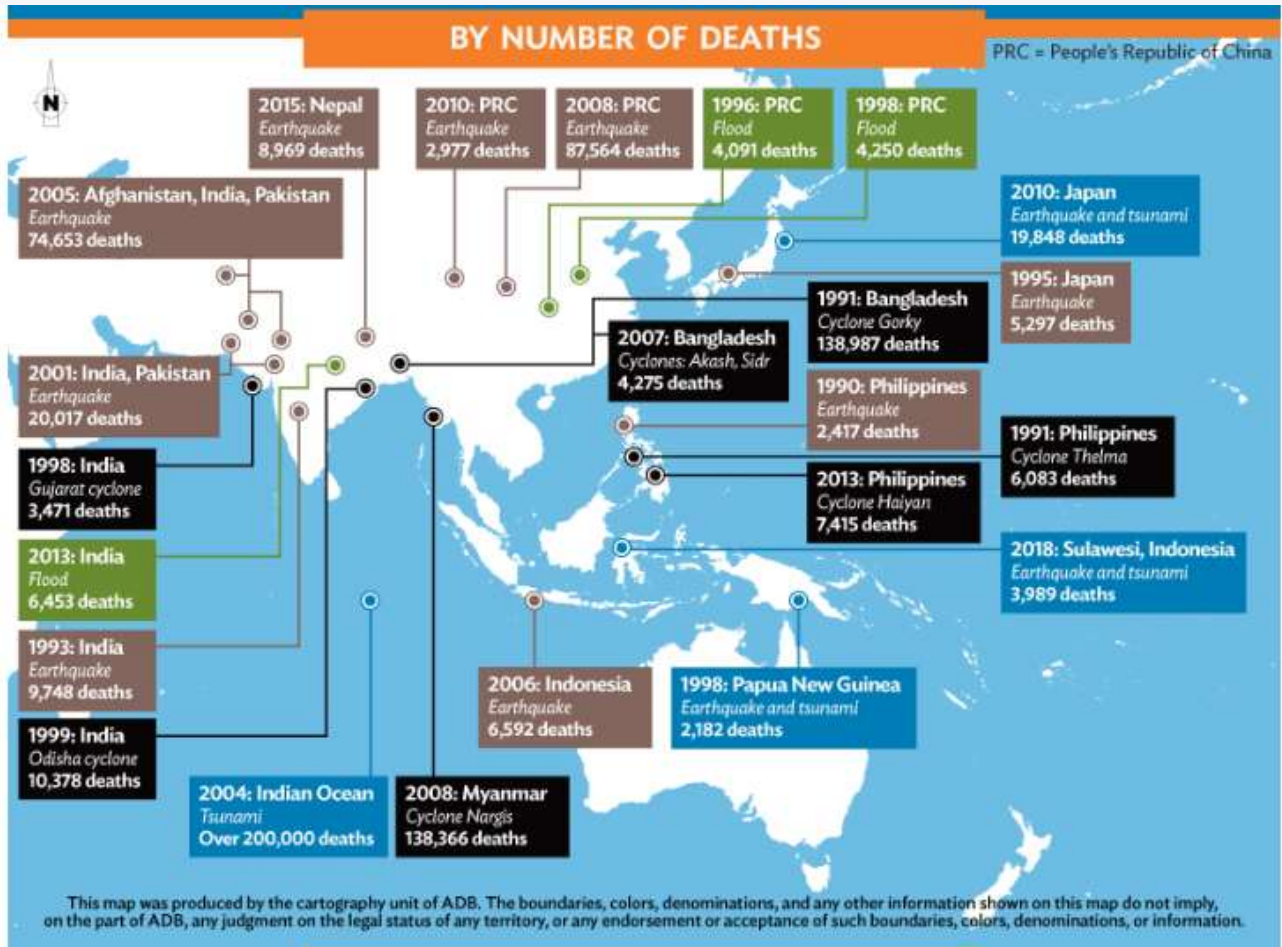
Under the Paris Agreement, countries committed to enhance adaptive capacity, strengthen resilience and reduce vulnerability to climate change. This is essential to ensure sustainable development, and to protect people, livelihoods and ecosystems, including from disasters. The commitment recognises the importance of support for, and international cooperation on adaptation efforts. The Paris Agreement encourages action to follow country-driven, gender-responsive, participatory and fully transparent approaches.

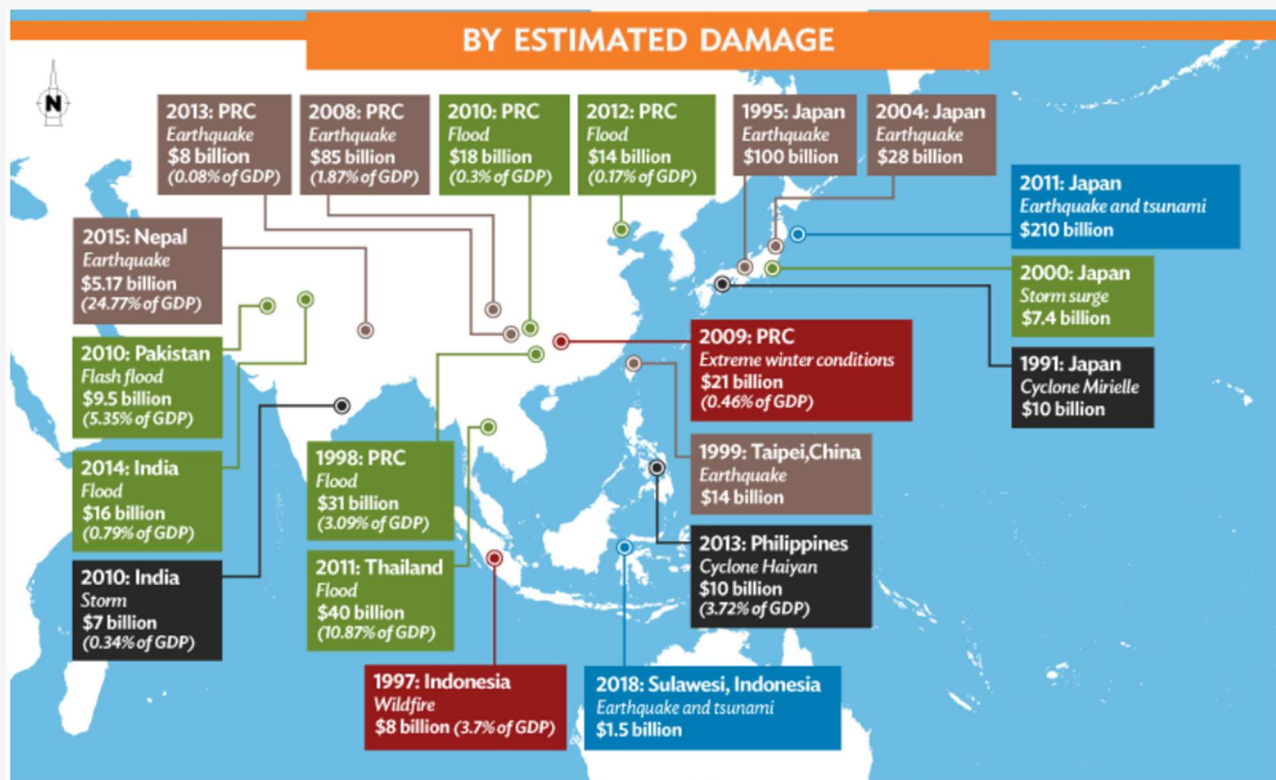
Consistent with the *Foreign Policy White Paper*, DFAT's *Climate Change Action Strategy* has a focus on the Indo-Pacific, including SEA countries. In supporting the goals of the Paris Agreement, the Strategy supports Australia building DRRCC capacity in developing countries through this Program to enable them to meet their Paris Agreement obligations.⁷¹

The ADB has recently highlighted the impact of climate disasters on countries across SEA.⁷² The three maps below illustrate the number of people affected, the number of deaths and damage attributed to climate change.

⁷¹ For the purposes of this document DRRCC includes environmental sustainability/protection and disaster resilience..

⁷² See <https://www.adb.org/news/infographics/recent-significant-disasters-asia-and-pacific-region>





Source: <https://www.adb.org/news/infographics/recent-significant-disasters-asia-and-pacific-region>

Many of the SEA countries in the Program are particularly vulnerable. Over the period 1998-2017 for instance, three SEA countries (Myanmar, Philippines and Vietnam) as shown below have been among the most affected globally by impacts of weather-related loss events (storms, floods, heat waves, etc), as measured by the Climate Risk Index (CRI).⁷³ The tables below highlight five of the SEA countries that have CRIs in the top 20 globally:

Global CRI for 1998–2017

CRI Rank	Country	CRI Score
1	Puerto Rico	7.83
2	Honduras	13.00
3	Myanmar	13.17
4	Haiti	15.17
5	Philippines	19.67
6	Nicaragua	20.33
7	Bangladesh	26.67
8	Pakistan	30.17
9	Vietnam	31.67
10	Dominica	33.00

CRI for Program Countries 1998–2017

CRI Rank	Country	CRI Score
3	Myanmar	13.17
5	Philippines	19.67
9	Vietnam	31.67
13	Thailand	34.83
19	Cambodia	39.67
69	Indonesia	74.17
89	Lao PDR	85.67
116	Malaysia	105.50
177	Timor-Leste	171.00

Note: The countries with lower CRI scores are the ones most impacted by extreme weather events, both in terms of fatalities as well as economic losses that occurred.

73 Eckstein et al (2019) Global Climate Risk Index 2019 (Germanwatch)

Further to countries' Paris Agreement commitments, the G20 Principles for Quality Infrastructure Investment⁷⁴ reflect the increasing number and heightened magnitude of natural hazards and slow onset of environmental changes. There is an urgent need to ensure long-term adaptability and build resilience of infrastructure against these risks through integrating environmental considerations in infrastructure investments through the entire project lifecycle: planning, design, finance, construction and reconstruction, operation and maintenance, and possible disposal.

For all the SEA countries, but particularly those most exposed to climate risks (i.e. low CRIs), there are consequent infrastructure-related issues around how infrastructure and related services can be climate resilient and what adaptation measures are most appropriate. These issues relate to how climate resilient infrastructure is analysed, planned, designed, built and operated in ways that anticipate, prepare for, and adapt to existing hazards and changing climate conditions. Resilient infrastructure can also withstand, respond to, and recover rapidly from disruptions caused by these climate conditions. Resilience reduces, but may not fully eliminate, the risk of climate-related disruptions. Natural hazards risks to infrastructure can be reduced by locating assets in areas that are less exposed to hazards. Risk management requires trade-offs between risk minimisation and cost, where it becomes more expensive and increasingly technically challenging to prepare for events that are very unlikely to occur. Probabilistic forecasting is a useful risk assessment tool for natural hazards. Decision makers need to weigh the importance of an asset functioning following a disaster (e.g. a bridge enabling people to access health services) against the costs of additional resilience.

So that infrastructure decision-makers in the SEA countries can act effectively to strengthen the resilience in their current and future infrastructure, they need to have access to high quality information, consistent data and capacity to adapt planning to account for existing natural hazards and those due to climate change. As well as access to information, there needs to be the development of technical and institutional capacity to manage natural hazard-related risks. This capacity could include:

- › spatial planning frameworks to improve management of climate risks, reduce vulnerability and prevent the construction of new infrastructure in exposed areas
- › infrastructure projects and policy appraisals that incorporate environmental assessments that cover the life of the asset
- › regulatory and economic standards (such as building codes, materials testing facilities, supply chains and competency based training).

DFAT's Climate Change Action Strategy emphasises the important gender dimension to climate resilient infrastructure. Vulnerability to climate change is influenced by a range of socio-economic factors including gender, poverty and social status. Men and women may have differing needs for infrastructure services; for example, access to piped water can support female empowerment in societies where women are typically responsible for collecting water. Women and men will also be affected differently by the impacts of climate change, including disruption to infrastructure.

Ensuring that infrastructure is resilient is a means to achieving more resilient societies, rather than an end in itself. As such, the process of ensuring that infrastructure is resilient should account for gender issues. To achieve this, it will be important to ensure women's meaningful participation in decision-making, and that their needs and perspectives are systematically considered in the planning and implementation of projects.⁷⁵

For the SEA countries, potential support to strengthen resilience in infrastructure will mainly be implemented through activities associated with the three thematic areas as shown below.

⁷⁴ See https://www.mof.go.jp/english/international_policy/convention/g20/annex6_1.pdf

⁷⁵ (OECD, 2016) Making climate finance work for women; and (World Bank, 2010) Making Infrastructure Work for Men and Women

Possible DRRCC activities for Program theme

Program Themes	Possible DRRCC Activities
Planning and prioritisation of projects	<ul style="list-style-type: none"> – TA on specific infrastructure projects to help infrastructure planners, designers, engineers and builders to measure and manage vulnerability to natural hazards and future climatic conditions, including the appropriate inclusion of DRRCC issues into the economic assessment of projects. – TA to support the incorporation of DRRCC-related planning and design aspects of a pilot/demonstration project. – Twinning arrangements for capacity building in the SEA country agency, using an Australian state-agency with expertise in analysing, planning for and implementing DRRCC initiatives in infrastructure, potentially including building back better and efficient reconstruction planning. This could be piloted in a particular pilot/demonstration project, with guidelines developed for broader implementation. – Regional Learning and Networking events could be held at the country and also wider multi-country/regional levels to highlight the project experience and build DRRCC-related capacity.
Implementation support for public infrastructure procurement	<ul style="list-style-type: none"> – TA for capacity building in the SEA country agency, workshops and development of DRRCC-related procurement guidelines. – Twinning arrangements using an Australian state-agency with expertise in lifecycle costing of infrastructure projects, with application in a pilot/demonstration project. – Regional Learning and Networking events could be held at the country and also wider multi-country/regional levels to highlight the project experience and build DRRCC-related procurement capacity.
Sector policy and regulation	<ul style="list-style-type: none"> – TA on incorporation of 'resilience-led' rather than standards-based approach to infrastructure planning, design, construction and reconstruction, operations and maintenance. – Twinning arrangements using an Australian state-agency with expertise in DRRCC-related policy and regulation, with application in pilot/demonstration projects. – Regional Learning and Networking events could be held at the country and also wider multi-country/regional levels to highlight the project experience and build DRRCC-related policy and regulatory capacity.

ANNEX 6: GOVERNMENT TO GOVERNMENT PARTNERSHIPS

There are numerous forms Government-to-Government (G2G) cooperation can take. This annex provides a brief review of relevant evaluation and organisational capacity building literature to support the choice of G2G partnerships as a delivery modality. This Program seeks to establish meaningful, long-term relationships between Australian Government infrastructure organisations and counterparts in partner countries. While these relationships will have their own intrinsic value from a geo-political and strategic perspective, they also present an opportunity to sustainably build institutional capacity in partner countries.

The form of cooperation discussed in the design consultations resembles that of a ‘twinning’ arrangement. Twinning is a form of organisational cooperation that emerged in the early 1980s in response to dissatisfaction with the results of short-term technical assistance.⁷⁶ Twinning was designed to enhance capacity within the developing country organisation by partnering them with an organisation from a developed country that was essentially a ‘model’ to be replicated. The idea is to find partners who are essentially ‘in the same business’ and co-design a range of technical, policy and regulatory ‘actions’ that can be sequenced and implemented in some logical fashion agreed to by the two partners. This would often occur in phases.

A large number of evaluations have examined the strengths and weaknesses of this approach in contexts similar to the proposed modality.⁷⁷ Recognised strengths include:

- › Ability to align domestic and partner country strategy and policy (e.g. in areas like customs, policing, maritime safety etc.), which is a solid basis for long-term commitment (‘relevance’).
- › Predictable funding due to longer term nature of partnerships (‘predictability’).
- › The provision of practical technical advice communicated by professionals who ‘speak the same language’ and are in the ‘same business’ (‘practicality’).
- › The building of strong social capital (‘relationships’).

However, evaluations have also examined circumstances where twinning did not produce the desired impacts vis-à-vis organisational learning and sustainable capacity building. A range of weaknesses have been identified, including:

- › Lack of contextual understanding on both sides (e.g. political issues, cultural issues, institutional norms etc).
- › Lack of a shared understanding of the scope and purpose of the partnership at the outset.
- › Inappropriate or ineffective capacity building activities i.e. activities that were either not delivered well or were not suitable considering the capacity building requirements.
- › Inability to address issues in the enabling environment that affect sustainability.
- › Inexperience in facilitating organisational learning and change management processes.
- › Staff churn on both sides (Critical when it is middle management).
- › Engagement and support of senior management.
- › A lack of ongoing relevance at policy/strategy level.

It is important to note that many of the weaknesses listed above are common to almost all aid modalities and are not specific to the twinning modality. Due to these challenges, the concept of ‘twinning’, has given way to a more holistic organisational cooperation model which focuses on organisational learning and institutional capacity building. This approach recognises that while government agencies in developed countries may have a sound grasp of the technical and policy issues of relevance, they may not necessarily be experts in organisational development and learning in their own, or indeed, in a developing country context. This infers that cooperation between agencies should be as broad as possible, focusing not just on technical issues, but other management domains, and that additional organisational learning support may be required to assist G2G partnerships.

⁷⁶ See: Jones, M.L and P. Blunt (1999) ‘Twinning as a method of sustainable capacity building’, Public Administration and Development, October 1999.

⁷⁷ See: McGillivray, M and D. Carpenter (in press) ‘Complex Development Aid Evaluations: The Aid Quality Evaluation Framework’, in K. Forss, et al Eds, Adopting a Long-Term Perspective in Evaluation, Routledge, Abingdon, forthcoming 2020; McGillivray, M., Carpenter, D., Morrissey, O and J. Thaarup (2016) Swedish Development Cooperation with Tanzania: Did it help the poor? Swedish Expert Group on Aid Studies: Stockholm; Carpenter, D.B et al (2016) Evaluation of New Zealand’s Development Cooperation in Tonga, New Zealand Ministry of Foreign Affairs and Trade; McGillivray, M., Carpenter, D.B., and S. Norup (2012) An evaluation of long-term development cooperation between Laos and Sweden, Stockholm: Swedish International Development Cooperation Agency (Sida); McGillivray, M., Carpenter, D.B., and S. Norup (2012) An evaluation of long-term development cooperation between Vietnam and Sweden, Stockholm: Swedish International Development Cooperation Agency (Sida).

Building on the above, there are a range of possible organisational cooperation models – these are presented in Table 1. Type 1 is the best-case scenario; Type 3 is the least desirable.

Table 1 G2G organisational cooperation models

	Type 1	Type 2	Type 3
Policy alignment	Clear alignment between domestic and partner country policy/strategy	Mandate to work in area, clear and ongoing organisational incentive to do so	Interest in cooperation but no clear policy, mandate or incentive
Technical expertise	Entirely in the 'same business'	Significant 'business' overlaps	Only limited 'business' overlaps
Organisational capacity	Wide range of organisational capacities and willingness to deploy resources in non-technical areas (e.g. HR, financial management, planning etc)	Willingness to deploy limited non-technical resources to assist with organisational capacity building	Will only agree to deploy technical people for short-term assignments, no interest in broader organisational issues
Organisational learning	Strong endogenous organisational learning/change management experience	Willingness to bring in, or work closely with, developing country organisational learning/change management experts	Will only use internal staff/ limited interest in, or appreciation of, organisational learning

Government-to-government partnerships

Overview: The following is a brief description of what a Government-to-Government Partnership (G2G) between an Australian government agency and a partner SEA government agency might look like. It is intended as a guide, with the expectation that every G2G partnership will be established with its own program of activities, based on what both government partners deem feasible and useful.

Characteristics: The proposed Program includes nine Southeast Asia (SEA) countries: Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Thailand, Timor-Leste and Vietnam, as well as, the ASEAN Post. Partnerships are likely to be between an Australian government agency (a department, agency or organisation at federal or state level) and an agency in one or more of the SEA countries working with the Program. It is also possible that more than one Australian government agency could join in partnership with one or more agencies in the SEA countries.

Aim: The aim is to share Australian expertise and experience with SEA government partners to improve decision-making towards quality infrastructure that supports equitable and inclusive economic growth. This aim will be developed through the creation of enduring partnerships on which mutual trust can be built and where Australian know-how can be shared.

Duration: Partnerships are intended to be long term relationships on which sets of activities are built. Agreed sets of activities between partners are typically expected to last between 1 to 2 years, with the activities funded through the Program. Standalone activities will generally not be undertaken, unless linked to a specific objective of establishing a new partnership.

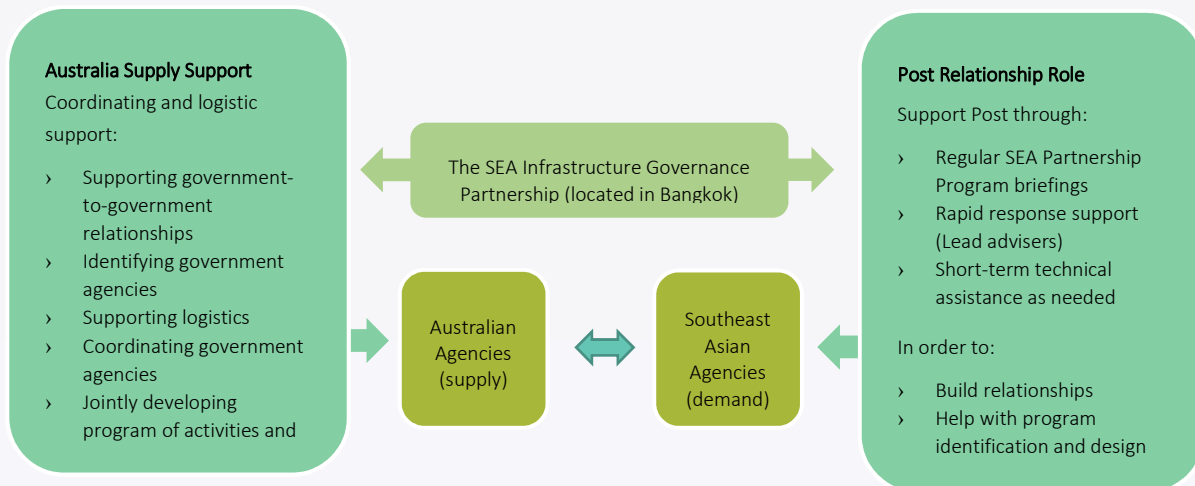
Types of engagement: The range of activities will be determined by the G2G partners and the identified need being addressed. Partnership activities may include are but not limited to a combination of a number of the following:

- › short-term secondment on a programmatic basis (potentially four to six times per year for a period of up to two weeks) from the Australian government partner to the Southeast Asian government partner
- › secondment from the Southeast Asian government partner to the Australian government partner (potentially four to six times per year for a period of up to two weeks)
- › joint meetings or workshops in Australia or SEA, either on a country-specific basis or to include a number of the SEA countries
- › support for regional networking
- › provision of technical advice
- › study tours
- › training in SEA or Australia
- › development of a hotline
- › development of virtual support groups or networks
- › ad hoc advice delivered through a range of modalities.

Support provided: The Program will provide support for the establishment and ongoing delivery of the partnerships. This will include financial and administrative support for program development, travel and deployment costs, event planning and management and monitoring and evaluation. It will also have the ability to fund specialist technical advisory services to support or complement a government partnership..

The below diagram provides more detail of how the government-to-government partnership model will work. Support for Australian government agencies will include dedicated Program resources in Australia. The Australian support resources will assist government agencies that are willing to participate in the Program, including supporting the development of the necessary institutional agreements, providing logistical support, assisting with program development, and enhancing Australian inter-agency networking. The thematic lead advisers (described in the following section) will also play an important role supporting Australian government agencies.

Program partnership model



Role of the Program

1. Facilitate government-to-government partnerships (demand and supply)
2. Facilitate long-term G2G programs with specific outcomes
3. Support Post with engagement and technical inputs
4. Provide rapid response capacity
5. Coordinate and support Australian government agencies
6. Manage and coordinate relationships with multilateral development banks, private sector, bilateral, regional and global programs.
7. Assist with program / activity planning

SEA Country Grouping:

- › Thailand / Malaysia
- › Indonesia / Philippines / Vietnam
- › Cambodia / Lao PDR / Myanmar / Timor-Leste

Governance Board

- › **Responsibility:** responsible for providing overall strategic direction for the Program and is accountable for direction.
- › **Composition:** Canberra DFAT appointee, Independent Representative (external expert with knowledge of Southeast Asia Infrastructure) and representative of the private sector.
- › **Function:** Review performance and provide strategic advice. The board may direct the balance of spending between countries, sectors, themes etc.

Program Resourcing

- › Bangkok Regional Hub:
 - Led by DFAT
 - Implemented by contractor
- › Post supported across nine countries
- › Thematic lead advisers provide initial engagement
- › Australia-based DFAT coordinator to manage Australian government partnership relationships

During fieldwork in SEA, across the nine countries a range of SEA government agencies identified strong demand for G2G partnerships. G2G partnerships were seen by SEA agencies as a foundation on which relationships could be built that would support improved infrastructure outcomes. SEA government agencies that were consulted had a range of responsibilities, but often faced broadly similar difficulties regarding implementing infrastructure investments.

ANNEX 7: 'MINIMUM SUFFICIENT' M&E FRAMEWORK

This investment is a strategic, outcomes-focused program that seeks 'improved decision-making towards quality infrastructure underpinned by strong government-to-government partnerships' in up to nine partner countries. In order to achieve this, the Program will foster collaboration between Australian and counterpart government officials to assist decision-makers to increasingly embed GESI and DRRCC into infrastructure decision-making processes and improve planning, procurement, and sector policies and regulations.

The infrastructure decision-making context in each country is unique and the capabilities of counterpart agencies are variable. In order to be effective, the Program will need to make decisions on packages of activities that are appropriate for the situational context in each country. In order to maintain strategic focus, the Program will also need to critically reflect on its own performance and management, including the quality of relationships and 'ways of working'. Further, the Program will need to generate evidence and learnings at the activity and 'package' levels.

The primary purpose of Monitoring and Evaluation (M&E) within the Program therefore is to generate useful, timely and relevant information to report progress towards outcomes and that can inform decision-making at the Country, Program, and Activity levels. Important also is the monitoring of safeguards and that these comply with the Environmental and Social Management Framework (ESMF).

This Annex provides an outline of the proposed MEF for the Program, defines key terms, and discusses quality assurance and reporting issues and expectations. It also includes details of key M&E tasks during the inception period, presents initial suggested performance targets and indicators, discusses implementation roles and responsibilities and presents an indicative budget. It is a provisional document in that the managing contractor will be expected to draft a comprehensive and up to date MEF and M&E Manual during the inception period informed by baseline analysis. The expectations regarding this are discussed in this Annex. This Annex should be read in conjunction with Annex 9: Theory of Change of the Program.

Definitions

It is important to distinguish between monitoring, and evaluation, so the distinct but complementary roles of each can be properly understood.

Monitoring is a continuous function that uses the systematic collection of data on specified indicators to provide management, and the main stakeholders of an intervention, with indications of the extent of progress and achievement of objectives and progress in the use of allocated funds. Data might include financial data pertaining to spend and allocation, input and output-related data, process data or contextual data of relevance to the intervention. Monitoring is an ongoing process to collect, analyse, and communicate data related to progress and performance. It provides information that can be used to make adjustments to continuously improve performance.

Evaluation is a discontinuous function that involves making value judgements about performance with reference to some pre-determined evaluation criteria. The data required for an evaluation is typically collected through the use of research methods, which may be qualitative and/or quantitative in nature. Evaluation generates knowledge and understanding that is specific to a program. The questions informing evaluation depend on the field of investigation, *i.e.* they arise from the evaluation itself and the needs of stakeholders.

Components of the M&E Framework

Drawing on the above definitions and the need for Country, Program and Activity-Level M&E, there are five specific components of the Program's MEF, these are: Country-Level Monitoring, Program Monitoring, Activity Monitoring, Program Evaluation, and Activity Evaluation. At each level the monitoring of safeguard effectiveness is required. The Table below defines each of these components and articulates the key evaluation/monitoring questions that are relevant to each.

M&E framework components and key M&E questions

Component	Definition	Key M&E Questions
Country-Level Monitoring	Includes monitoring the situational context pertaining to infrastructure decision-making in each partner country, particularly in the areas of GESI, DRRCC and, planning, procurement and sector policies and regulations	<ul style="list-style-type: none"> – What important regional, political, policy or regulatory issues may have an impact on the Program activities in country X? – What organisational issues in key partner agencies may have an impact on the Program activities in country X? – What financial issues may have an impact on the Program activities in country X? – What activities of other infrastructure sector actors (e.g. ASEAN, private sector, MDB's, emerging donors) have an impact on the Program's activities in country X?
Program Monitoring	Includes monitoring the overall performance of the Program, the achievement of results and the strategic management of the Program	<ul style="list-style-type: none"> – What developments at the country-level may be affecting Program performance? – What issues within Australian Government partner organisations may be affecting performance? – What Program-level organisational, relationship or management issues are impeding implementation? – Are decision-makers increasingly aware of the importance of GESI and DRRCC and the importance of rigorous planning, transparent procurement, efficient cost –of-service delivery, and VfM? – Are quality relationships between Australian and Southeast Asian counterparts being established? – Are decision-makers adjusting practice informed by Program activities and engagements?
Activity Monitoring	Includes the selection and design of foundation and influencing activities, and data on their performance	<ul style="list-style-type: none"> – Are the criteria for activity selection appropriate? – Have these criteria been consistently applied? – Are the foundational and influencing activities being delivered in accordance with expectations? – Is there evidence that these activities are achieving results?
Program Evaluation	Includes assessing the performance of the Program against key agreed evaluation criteria	<ul style="list-style-type: none"> – How relevant is the Program considering emerging priorities in partner countries? – Is the Program being implemented efficiently and with an eye to VfM? – How effectively has the Program fostered collaboration between Australian and counterpart country agencies? – How effectively has the Program assisted decision-makers embed GESI and DRRCC into infrastructure decision-making? – How effectively has the Program assisted decision-makers continually improve planning, procurement, and sector policies and regulations? – What is the likelihood that the benefits of the Program's interventions will persist after funding ceases? – How coherent are the Program's investments at the portfolio level in each country?
Activity Evaluation	Includes assessing the performance of activities against OECD-DAC evaluation criteria	<ul style="list-style-type: none"> – How relevant, efficient, effective and sustainable is the Activity?

M&E manual

The managing contractor will work closely with the DFAT Program Director and Bangkok-based activity and relationship managers' in the development of an M&E Manual to support implementation. The M&E Manual will outline how the MEF components will be operationalised, including how data will be collected in response to the key evaluation and monitoring questions, and how evidence will be used to iteratively improve implementation, including by informing the Governance Board.

The M&E Manual will consist of the following:

Purpose: Articulation of the overall purpose of M&E in the Program. The primary purpose of M&E is organisational learning and the generation of information at the Country, Program and Activity levels that can inform decision-making and effective implementation. A secondary purpose is accountability for implementation and expenditure. A tertiary purpose is the production of generic knowledge in the areas of governance and infrastructure that can be used by stakeholders.

Theory of change: Presentation of a ToC, which captures the key elements of the change process and clearly presents the outcome pathways at the Program level. This should include updating the ToC presented in this design to ensure it is as contemporary and relevant as possible at the time of implementation, including updating risks and assumptions and outcome pathways if necessary. Once the Program level ToC has been finalised and after the relevant political economic analysis has been conducted, the contracted M&E team will develop ToC's for the respective outcome areas and for activities as they are developed. The M&E Manual will outline how this process will unfold, including assigning roles and responsibilities.

MEF: An outline of the various components of the MEF and their relationship to each other, with associated key M&E Questions. This should involve clearly defining the different components of the MEF, any evaluation criteria used, and the meaning of key M&E questions. This will include provisions for monitoring of safeguard effectiveness.

Implementation and data collection processes: for Country, Program and Activity-Level M&E. This should include information on the frequency and methodology of data collection at the various levels, constraints that may be faced collecting data, expectations regarding the quality of data and any evaluability issues. It should also include a program of evaluation over the course of the initiative, including how and when Activity and Program-level evaluations will be conducted and the approaches and methodologies that may be appropriate. Importantly, this section should clearly explain who is responsible for data collection and synthesis.

Learning strategy: Articulation of an organisational learning strategy for the Program, including when and how the knowledge generated by M&E will be disseminated and used to improve implementation. This should outline the key role senior staff (management and advisers) play in facilitating learning within the Program. The learning strategy should take into consideration the wide geographical range of the Program, the many different contexts within which the Program will operate and the different capabilities of stakeholders and the Program's staff. It should outline key learning and knowledge dissemination processes (both formal and informal) and how communication products will be used to facilitate learning within and outside of the Program – including within DFAT.

Rubrics: that clearly outline evaluative criteria for Program and Activity-Level evaluation and align to DFAT's Aid Quality rubric.

Baselines: for each of the partner country programs based on the most contemporary assessment of performance and capability in each of the three outcome areas. The collection of baseline data will be a key foundation activity during the inception stage. These baselines are the foundation upon which performance indicators and targets will be developed. The baselines will draw on qualitative and quantitative data and be complemented by political economy analysis.

Performance indicators and targets: that are relevant and feasible to each country, drawing on the baseline information. Provisional targets and indicators are included in the Table below, these can be tested and updated during the inception phase. Targets should be feasible and based on empirical information gathered during the inception stage through foundation activities. Performance indicators should be:

- › Specific – appropriate, conceptually grounded, easily interpretable and applicable to monitoring
- › Measurable – quantitatively and/or qualitatively and capable of demonstrating trends over time
- › Available – at Country, Program and Activity levels over time
- › Relevant – to the purpose of M&E *i.e.* learning and accountability
- › Timely – allow for assessment over time.

Management arrangements: including articulating the roles and responsibilities for M&E. This includes responsibility for the full suite of M&E activities and processes, including overseeing M&E Plan implementation, quality assurance, Activity and Program-level evaluation and learning.

Workplan: Annual workplan of M&E activities in the five different component areas.

The M&E Manual will be finalised after mobilisation and will be the major output of the inception period. The performance targets and indicators will only be developed after baselines have been completed.

Provisional targets and indicators

Outcome	Target	Indicator
End-of-Investment Outcome – Improved decision-making towards quality infrastructure underpinned by strong G2G partnerships	By the end of Year 4, at least one project or policy in four initial priority countries incorporate an assessment of GESI and DRRCC and are informed by improved planning, procurement or sector regulations	Number of infrastructure policies or projects that incorporate an assessment of GESI and DRRCC and are informed by improved planning, procurement or sector regulations, in countries where G2G partnerships exist.
Intermediate Outcome (IO) 1 – Decision-makers increasingly embed GESI and DRRCC in infrastructure decision-making processes	By the end of Year 4, at least four countries have adjusted behaviour or decision-making processes	Number of countries that have embedded GESI and DRRCC into decision-making processes (policy and regulatory environment or practices)
IO 2 – Australian and SEA Infrastructure agencies cooperate on policy advice and implementation	At the end of Year 3 there are at least five high-quality partnerships between Australian and SEA agencies that focus on infrastructure policy advice and implementation	Number of high-quality partnerships as indicated by: <ul style="list-style-type: none"> - Joint networking and learning events - Number of secondments - Ongoing human resource support - Policy alignment - Harmonised systems and processes
IO 3 - Decision-makers improve planning, procurement, and sector policies and regulations	By the end of Year 4, at least four countries have improved policy and/or practice	Number of countries that have improved policy and/or practice to incorporate rigorous planning and prioritisation processes, competitive and VfM based procurement or sectoral regulation that supports efficient cost of service delivery
IO 4 – New practices are established that facilitate the provision of GESI and DRRCC-related advice to decision-makers including partnerships with women, ethnic minorities, marginalised and vulnerable groups	By the end of Year3, more than 80% of decision-makers surveyed demonstrated changed behaviour or practicea	Number of decision-makers that have demonstrated changed behaviour or practice that better consider GESI and DRRCC in infrastructure decision making.

IO 5 – Organizational cooperation between Australian and Southeast Asian infrastructure agencies is established	In Years 2 and onward, there are at least five such partnerships	Number of partnerships between Australian and SEA agencies that have operated (or have plans to operate) for over one year
IO 6 – New practices are established that facilitate the provision of advice on rigorous planning, transparent procurement, efficient cost – of-service delivery, and VfM to decision-makers	By the end of Year3, more than 80% of decision-makers surveyed demonstrated changed behaviour or practicea	Number of decision-makers that have demonstrated changed behaviour or practice to improve rigorous planning and prioritisation processes, competitive and VfM based procurement or sectoral regulation that supports efficient cost of service delivery
IO 7 – Decision-makers increase their knowledge of infrastructure-related GESI and DRRCC issues	At the end of Year 1, more than 80% of decision-makers surveyed confirm that their knowledge of GESI and DRRCC issues has increased and that their attitudes have changed	Number of decision-makers with increased knowledge (including by country and agency) and changed attitudes
IO 8 – Australian and SEA infrastructure agencies are increasingly knowledgeable of the benefits of organisational cooperation	At the end of Year 1, at least than 80% of those surveyed confirm that their knowledge of the benefits of organisational cooperation have increased and their attitudes have changed	Number of Australian and SEA agencies whose knowledge of the benefits of organisational cooperation have increased
IO 9 – Decision-makers knowledge of the importance of planning, transparent procurement, efficient cost – of-service delivery, and VfM is increased	At the end of Year 1, more than 50% of those surveyed confirm their knowledge has increased	Number of decision-makers whose knowledge and attitudes of rigorous planning and prioritisation processes, competitive and VfM based procurement or sectoral regulation that supports efficient cost of service delivery has increased.

Strategic advice and quality assurance

Quality assurance is a key issue for a complex program in multiple countries with multiple M&E components. For this reason, the Program’s implementation team will be supported by an independent Strategic Advisory Team (SAT). The SAT will provide a range of strategic monitoring and quality assurance services for the managing contractor and DFAT, and will be comprised of experts in GESI and DRRCC in infrastructure, aid delivery, M&E, safeguard effectiveness and institutional capacity building. The SAT is an independent resource that will support the DFAT Program Director and managing contractor in a range of areas, including:

- › Program-Level strategic monitoring (*i.e.* strategic direction, relationships, team performance, communication)
- › Quality assurance of technical outputs (*i.e.* baselines, political economic analysis, M&E Manual, reports, technical products)
- › Advice on institutional capacity building and fostering strong government-to-government relationships
- › Advice on the integration of GESI and DRRCC.

Consideration will also be given to establishing “critical friendships” with other similar programs. For example, the ACCC’s Competition Law Implementation Program (CLIP) has had significant success in helping SEA countries establish effective competition policies and laws. CLIP is a useful exemplar of successful G2G

partnerships in the region. The CLIP team has also established useful in-country linkages. The Program will consider ways to more formally draw lessons and insights from other programs such as CLIP. This could include appointing an ACCC CLIP representative on the SEAIGP Strategic Advisory Team (SAT) or to participate in reviews.

Important M&E activities during Inception Phase

A range of important M&E activities will be conducted during the inception phase. It is imperative that these activities be prioritised and conducted to the highest standard to ensure a solid foundation for implementation can be built. Key M&E activities during the Inception phase will include:

Research informing baseline development

As soon as possible after mobilisation, the Program's M&E staff with the assistance of short-term advisers will conduct research and political economic analysis that will assist with establishing baselines in the three outcomes areas for each partner country. This research will build on the knowledge already generated through this design process. This research will include updated information on:

- › The status and quality of infrastructure partnerships between Australian and SEA partners (if any).
- › The extent to which GESI and DRRCC is presently embedded into planning, procurement and sector policies and regulations in partner countries. This should include a detailed explanation of the infrastructure decision-making processes in partner agencies, the role of key agencies, the deficiencies with regard to GESI and DRRCC, and the constraints to embedding GESI and DRRCC within the partner's organisational and institutional setting (capacity constraints, socio-cultural issues, political-economic issues etc).
- › The extent to which rigorous planning, transparent procurement, efficient cost-of-service delivery and VfM are embedded into the planning, procurement and sector policies and regulations of partner countries, including the constraints in these areas within the partners' organisational and institutional setting (capacity constraints, socio-cultural issues, political-economic issues etc).

This information will be used to update the ToC (if needed) and will assist with formulating indicators and targets that can feasibly be achieved within the life of the Program in each of the partner countries.

Theory of change workshop

DFAT and the managing contractor will facilitate a ToC workshop early on in the inception period, where the ToC will be interrogated and revised based on knowledge emerging from foundation activities. Participants should include representatives from Program management, DFAT, the managing contractor, Australian government partners and other key partners. It will provide an opportunity for stakeholders to develop a shared understanding of the initiative and their role in facilitating change.

Ways of working

Program monitoring is an important component of the MEF. It is imperative that each implementation partner (i.e. DFAT, Australian Government agency, Managing Contractor) understands their roles and responsibilities with regard to implementation, management, and governance. Early on in the inception period, Program staff, DFAT stakeholders and Australian agency partners will participate in a 'Ways of Working' workshop alongside the ToC workshop. This workshop will clearly outline the roles and responsibilities of each partner in the aforementioned areas. This will include delineating lines of responsibility for relationship management, strategic program management, risk management identification and mitigation, reporting and other key management areas. It will establish clear lines of communication between the partners and provide an opportunity for the development of a 'one team' approach to implementation.

M&E manual

An M&E Manual which includes the information outlined under 'Implementation' will be developed upon completion of the three abovementioned tasks.

Reporting

Reporting requirements will be established during the 'Ways of Working' workshop. From the outset, reporting will focus on explaining progress towards the End-of-Investment Outcome, reflecting on Program-level performance and generally explaining how implementation risks have been identified and mitigated over the reporting period, including managing safeguards. This will include discussing the ongoing relevance and efficacy of the ToC and the outcome pathways outlined therein, including the associated assumptions and risks. It will also include using Program-level monitoring data to critically reflect on performance in a range of areas such as: the efficiency and effectiveness of management arrangements, quality of partnerships and relationships, governance arrangements, strategic programme management, and human resource management.

End of Year One Stocktake

A stocktake at the end of year one will be completed that will focus on what is and is not working. This is not intended to be a full scale review, but will support early adjustments to approach and resourcing leaving three years for continued implementation. This would not take the place of a mid-term review. But recognises that some useful adjustments may be able to be made at the end of Year 1 in advance of that review. The Program M&E will need to consider how best to structure the stocktake and how it will intersect with the SAT and Governance Board.

Implementation

The responsibility for the implementation of the Program's M&E will rest with the managing contractor. A range of long and short-term inputs will be used to support implementation. It is expected that the managing contractor will supply the services of one full-time, senior M&E Director (ARF C4) who will be supported by a locally engaged M&E Manager (ARF C2) who will assist the M&E Director with operational activities. The in-house M&E team will manage all aspects of M&E including:

- › drafting the M&E Manual and overseeing implementation of the M&E Plan
- › drafting ToRs for STA inputs and quality assuring performance
- › leading with all aspects of activity monitoring
- › assisting the Program Director and Strategic Advisory Team with all aspects of Program Monitoring
- › designing an Evaluation Strategy and managing all aspects of activity and Program-level evaluation, including drafting ToRs and quality assuring outputs
- › assisting the Program Director with organisational learning activities
- › assisting the Program Director with strategic communications
- › assisting the Program Director with reporting
- › assisting the Program Director manage SAT inputs.

The Program will also need to draw on a range of short-term inputs to deliver the multi-component MEF. These inputs will be particularly important during the inception phase as there are a range of foundation activities that need to be completed before the M&E Manual can be finalised. The swift deployment of these resources early on after mobilisation will be required to fulfil inception period outcomes. STA activities will include:

- › baseline development
- › ToC and 'ways of working' workshop facilitation
- › Program evaluation (including mid-term review)
- › activity-level evaluation
- › organisational learning and institutional capacity building support
- › partnership surveys
- › partnership M&E capacity building.

The M&E manual will include a STA workplan which will outline specific STA inputs over the course of the initiative and how these inputs will be managed effectively by the M&E team.

ANNEX 8: PROPOSED EARLY ACTIVITIES (I.E. WORK PROGRAM)

During the Program, the work plan will consist of two main groups of activities: Foundation and Influencing. The Foundation activities consist of those that are necessary to establish and maintain the Program, while the Influencing activities contribute to the achievement of program outcomes.

The first 12 months will include a three -month inception phase.

Inception (Initial 3 months)

Activities undertaken during the three month inception phase will focus on the start-up and establishment of the Program Hub in Bangkok, including mobilising staff and identifying and fitting out of office space.

Activities completed during this period will include:

- › Mobilisation of the management team,;
- › Establishment of the corporate office, including hiring administrative staff to support the Program.
- › Team-building activities. It is essential for the success of the Program that the DFAT and contracted staff think and act as one team from the first day. In the first two weeks of mobilisation, a team building program will be organised by an experienced team-building professional. The program will centre on the design of the Inception Plan. A second one-week session will be organised after three months.
- › Preparation of the Program Operation Manual
- › Preparation of a Foundation Plan. This is to be completed within two months of mobilisation and details the activities of the Program during the first year of operation, including an initial set of Foundation activities and plans to undertake the Political Economy Analysis, timeframes for all facility plans and manuals, and an initial set of Regional Learning and Networking activities to promote the Program to the region, potentially leveraging G2G partners existing pipeline of events.

Key early foundation and influencing work is to include the following, subject to the Foundation Plan

Foundation

- › First annual work plan
- › Design of the Monitoring, Evaluation and Learning framework and plan.
- › Development of an Environmental and Social Management Framework (ESMF).
- › Design of a GESI and DRRCC strategy with key activities and outputs
- › PEA and Engagement Strategies for each country and ASEAN
- › Sustainability Strategy
- › Private Sector Engagement Strategy
- › Communication and Public Affairs Strategy
- › Visits by the Program Director and lead advisers to all nine countries to introduce the Program to the Australian Posts, the governments, relevant donors and link with bilateral, regional and global programs of interest to Australia and the Program.
- › Establishment of the Strategic Advisory Team

Influencing

Influencing activities contribute directly to the end-of-investment outcome. Many influencing activities will start late in year 1 and in year 2, as it takes time to mobilise, get exposure in the region and in Australia, and build up credibility. The Program can, however, hit the ground running with the following activities:

- › Support for supplementary analysis of GESI and DRRCC for two projects ideally drawn from the Rolling Priority Pipeline for Potential Projects. These two studies will aim to demonstrate economic and value for money benefits of adherence to core parts of the G20 principle for QII. It is estimated that these studies can start in the middle of year 1 and be completed 12 months after. The preparatory work to be done during the first 12 months are:
 - identification of suitable projects, including preparation status and identification of gaps and needs
 - drafting of ToRs for the consulting team
 - tendering and contracting process
 - mobilisation.

- › Visits of all countries and Posts foreseen during the Foundation stage are expected to result in a number of Quick Response requests. Six of those have been budgeted but given the fact that the marginal costs of these quick response visits are low, more could be fielded. The binding constraint is the time availability of Program staff (see Annex 1 for a list of early entry points identified during the design fieldwork).
- › The Program will initiate four Regional Learning and Networking events during the first year. Ideally, two of those will be at senior level (minister, vice-minister or director-general). Of those two, one will be hosted by the Australian government, in Australia. The other senior-level meeting will be co-hosted by the Australian government together with another regional country. The topics of the two high-level events will centre around policies and practices to improve decision-making on quality infrastructure. The other two regional learning and networking events in the first year will be at technical or working level, focusing on specific topics of interest to a number (or all) of the countries in the region. These workshops should be co-hosted with a regional government to maximise networking and learning opportunities.
- › A select number of projects (e.g. from the ASEAN, AIIB and Global Infrastructure Hub infrastructure pipelines) will be analysed against the G20 principles (GESI and DRRCC). Essentially, a gap assessment of what it would take to get the projects up to the G20 principles ambition. The objective of this work is to generate a body of evidence, using real examples, of the steps required for infrastructure planning, procurement and sector policy and regulations to be executed in line with the G20 principles. The body of evidence will be presented at a regional learning event.
- › In the first year, the Program will support three-five Australian government agencies to enable them to become the primary G2G partners. This support will include resources and actions necessary to enable the Australian agency to work effectively as a counterpart to the regional governments.

Establishment of Strategic advisory team

The Strategic Advisory Team will support the implementation of Program activities and ensure that end-of-Program outcomes are achieved and serve as an early-warning system for issues and problems. The Strategic Advisory Team will consist of three people, who will visit the Program in Bangkok three to four times a year, together with field visits as deemed necessary. The Strategic Advisory Team will report directly to the Program Director and provide reports to the Board. During the first four months, the ToR's for the Strategic Advisory Team will be drafted and agreed upon in the management team and the recruitment process will be completed. The Strategic Advisory Team will meet in Bangkok for the first time after five months to review and discuss the Foundation Plan and first year work plan.

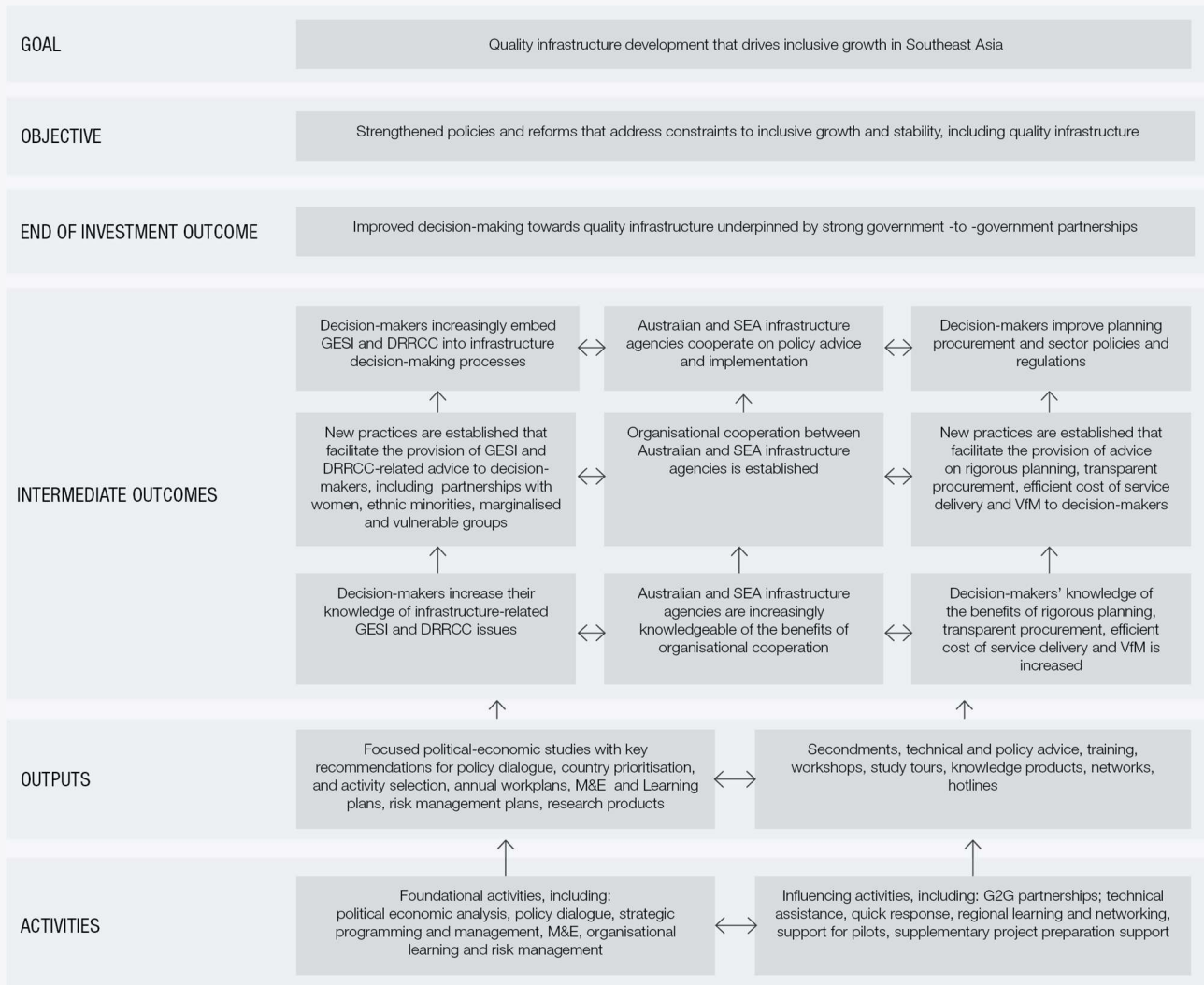
Possible use of 'off the shelf' tools and technical solutions

Decision-makers require reliable information inputs and fast simulations for estimating technical, economic, and financial impacts of 'new' actions. The Program aims to support SEA partner agencies improve competencies that impact project performance. This includes the software and hardware required to help their teams and stakeholders arrive at 'principles-led quality infrastructure' solutions that meet their need. Many countries and organisations have developed tools to assist.

The Program will consider the availability of tools and technical solutions and whether there is scope to support Program core activities through provision of partners with 'off-the-shelf' software or hardware (licenses, training etc. see for example SOURCE Software (<https://public.sif-source.org/>)). In doing so, the implementing team will need to be mindful that the same set of instruments can have different effects in different contexts. In this regard the Program's Political economy analysis in year one will help to consider whether adoption of such an approach is appropriate and fit-for-purpose.

ANNEX 9: THEORY OF CHANGE

This Annex outlines the Theory of Change (ToC) that underpins the Program.



The goal of the Program is to contribute to ‘Quality infrastructure development that drives inclusive growth in Southeast Asia’. Increasingly, infrastructure leaders, investors and developers are recognizing the need to not only increase the quantity of infrastructure investment globally to drive economic growth, but also the quality of such investment to ensure that growth and development is inclusive. This recognizes the need to plan infrastructure around the evolving needs of people in a resilient way. The G20 principles place social and environmental considerations at the heart of infrastructure planning, procurement and sector policy, and the design of the Program is consistent with that approach.

Based on the above, ‘quality infrastructure’ has the following characteristics:

- › it has a positive impact on sustainable growth and development
- › it raises economic efficiency in view of life-cycle costs
- › it incorporates social and environmental considerations
- › it builds resilience against natural disasters
- › it has sound governance arrangements.

A necessary prerequisite for the provision of higher quality infrastructure is improved decision-making, and this is where the Program will focus. Australia, as an adherent to the G20 Principles, and with its significant experience in delivering high-quality infrastructure, can draw on its resources and experience to support its Southeast Asian partners improve decision-making.

The Program will contribute to the achievement of the abovementioned goal by focusing on one clear end-of-investment outcome, which is 'Improved decision-making towards quality infrastructure underpinned by strong government-to-government partnerships.

Improved decision-making towards quality infrastructure is crucial to the achievement of the long-term goal. Australia can play an important role in assisting counterparts improve decision-making through proposed government-to-government partnerships. Australia will support its Southeast Asia counterparts improve decision-making in two key areas, namely: embedding GESI and DRRCC into infrastructure decision-making processes and improving planning, procurement and sector policies and regulations. This Program also seeks to foster cooperation on policy advice and implementation between Australian and Southeast Asian infrastructure counterparts, which is an outcome in itself. Such cooperation strengthens Australia's influence and relationships in the region while also directly contributing to the Program's high-level goal.

As depicted in the ToC diagram above, achievement of the end-of-investment outcome will be brought about through activities in three inter-related impact pathways. Achievement in these pathways will be measured by a series of pathway-specific intermediate outcomes. Pathway 1 will focus on embedding GESI and DRRCC into infrastructure decision-making processes, Pathway 2 on fostering cooperation on infrastructure policy advice and implementation between Australian and Southeast Asian infrastructure agencies and Pathway 3 on improving planning, procurement and sector policies and regulations. These are described below.

Intermediate Outcome 1 – Decision-makers increasingly embed GESI and DRRCC into infrastructure decision-making processes

Embedding GESI and DRRCC into infrastructure decision-making is crucial to the achievement of the long-term goal. The Program will focus on integrating GESI and DRRCC into the three themes: planning, procurement and sector policy and regulation. Embedding GESI and DRRCC into infrastructure decision-making in these three areas would manifest itself in the following ways over the life of the Program:

- › SE Asia governments will demonstrate political will to align policies with G20 principles, recognising the correlation between improved governance of GESI and DRRCC issues and enhanced infrastructure quality.
- › Australian and SE Asian Infrastructure agencies will engage in high quality organisational cooperation in the areas of GESI and DRRCC, this will include strong policy alignment and overlapping technical interest.
- › Governments will integrate GESI and DRRCC into their economic strategies and development planning instruments. These are capable of guiding quality infrastructure design, contributing to sustainable and inclusive economic growth.
- › Multilateral, bilateral and private sector investors in infrastructure will encourage governments to meet the first two points above. Investors and insurers will integrate G20 principles into their due diligence and impact evaluation criteria; a reduction in risk ratings of well-planned SE Asia infrastructure projects will attract Australian firms to invest.
- › Governments will design and implement mechanisms for safeguarding the rights, safety and welfare of women and marginalised groups affected by infrastructure projects, through consultation, consent, risk analysis, impact evaluation and compensation, with budgets allocated to cover these steps.
- › CSO's, coalitions and networks will be well-informed about the benefits and risks of infrastructure development, and will be equipped to engage with governments and investors constructively

- › Women, ethnic minorities and people living with disabilities will have undertaken paraprofessional training and/or work placements in sectors related to the three themes of planning, procurement and sector policy and regulation. There will be more diversity in technical positions and leadership roles in partner governments, and this will be mirrored by more diversity among the cadre of Australian technical experts provided by the Program.
- › The Program will generate a body of evidence of infrastructure projects that illustrates, using real cases, the steps by which infrastructure planning, procurement and sector policy and regulations can be executed in line with the G20 principles.

In the short-term, the Program will work with governments, civil society organisations (CSO's) and investors to outline the inter-connections between GESI, DRRCC and quality infrastructure. This will assist in increasing decision-makers knowledge of these important issues. A range of outputs will be delivered in support of this, including the development of knowledge products, technical and policy advice, training, study tours, secondments and workshops in key GESI and DRRCC areas of relevance to the particular decision-makers (and stakeholders) situational context. Through illustrating the economic, social and environmental benefits of incorporating GESI and DRRCC issues into infrastructure decision-making the Program will encourage governments to set more ambitious goals, while empowering reformers both inside and outside government to hold authorities to account. The Program will meet the demand from Southeast Asian agencies by identifying gaps in their policies and matching them to the experts and stakeholders who can help address these gaps, including through G2G partnerships. Over the medium-term, this will result in the development of new practices such as engagement strategies and the formulation of partnerships, which will facilitate the provision of relevant and context specific advice to decision-makers in key areas; and ultimately to the embedding of GESI and DRRCC into decision-making processes.

Intermediate Outcome 2 – Australian and Southeast Asian infrastructure agencies cooperate on policy advice and implementation

Cooperation between Southeast Asian and Australian infrastructure agencies will support improvements in planning, procurement and sector policies and regulations and the embedding of GESI and DRRCC, while also strengthening Australia's relationships in the region. Such cooperation will involve forging partnerships over the medium-to-long term that foster organisational learning and institutional capacity building.

In the short-term, the Program will raise awareness of the benefits of organisational cooperation through structured G2G influencing activities. These will include regional networking and learning opportunities, study tours, secondments, hotlines and other influencing activities. The Program will focus on bringing Australian and Southeast Asian decision-makers and technical experts in infrastructure together through a range of activities that build social capital, are relevant to decision-makers political-economic context and are manageable noting the capacity constraints faced by all organisations. Through these activities Southeast Asian and Australian agencies will become increasingly knowledgeable of the benefits of cooperation. Australian agencies will provide relevant and high-quality advice to their Southeast Asian counterparts, and, over the medium-term, this will lead to the establishment of more systematic organisational cooperation between infrastructure agencies.

Eventually, Australian infrastructure agencies will be engaged in sustainable, long-term partnerships with their Southeast Asian counterparts providing high quality advice on a range of salient infrastructure policy and implementation issues. The sustainability of these partnerships will be indicated by a range of metrics including: the establishment of formal partnership arrangements between agencies, a program of secondments, ongoing human resource support for adhoc requests, policy alignment between agencies, and harmonised systems and processes.

Intermediate Outcome 3 – Decision-makers improve planning, procurement, and sector policies and regulations

Improved planning, procurement, and sector policies and regulations is a pre-requisite for the provision of high-quality infrastructure. At present, decision-makers in Southeast Asian infrastructure agencies do not sufficiently incorporate planning, transparent procurement, efficient cost-of-service delivery and Value for Money (VfM) into their decision-making processes. In many cases, this leads to low quality infrastructure choices.

International experience has shown that the successful delivery of infrastructure involves a number of elements, including:

- › the establishment of supportive policies, legislation, regulation, and strategy
- › high quality project planning, feasibility assessment and financing, and prioritisation
- › the meaningful incorporation of social, local community and environmental impacts into a sustainable project delivery approach
- › the preparation of a preferred project model, and its procurement, delivery, monitoring and management.

In the short-term, the Program will work to increase knowledge of the importance these issues through its influencing activities, this will stimulate demand within Southeast Asian agencies for technical inputs that are relevant to each country's infrastructure context. A range of outputs will be delivered to support this, including technical and policy advice (including through G2G partnerships), training, the development of knowledge products, study tours, workshops and establishing regional networks. Over the medium-term, a range of new practices will be established that facilitate the provision of advice on rigorous planning, transparent procurement, efficient cost-of-service delivery and VfM. This will lead to improvements in agencies' endogenous expertise and will include establishing partnerships with other agencies and expert groups, including Australian G2G partnerships. Over time, this will lead to decision-makers improving the planning, procurement and sector policies and regulations that lead to the development of high-quality infrastructure.

Improvements in planning, procurement and sector policies and regulations will manifest in the following ways over the life of the Program:

- › Project planning processes will be based on transparent and consistent assessment and screening methodologies.
- › Assessment and screening methodologies will be applied to both traditional budget-funded projects and PPPs.
- › Guidelines for handling unsolicited project proposals will be developed and applied.
- › Transparent and competitive procurement processes will be implemented on a range of pilot projects.
- › Whole-of-government procurement guidelines will be developed.
- › Important sectoral policy or regulatory issues will be addressed, for instance support in resolving specific pricing/tariff disputes, or development of a sectoral pricing model (e.g. a road tolling strategy).
- › Procurement models will be chosen on the basis of project specifics and will rigorously follow established guidelines.
- › Risk will be transferred in a way that maintains VfM.
- › There will be careful management of social, local community and environmental impacts.

Foundational and influencing activities

There are two categories of activities that will directly lead to the outcomes outlined above, these are foundational and influencing activities. *Foundational activities* are the activities the Program needs to establish and maintain internal capacity to deliver relevant and effective support. These activities include problem analysis; policy dialogue; implementation; planning; M&E; organisational learning; and risk assessment and mitigation. *Influencing activities* are the core support services the Program provides to others, these include G2G partnership activities, training, technical assistance, quick response, regional learning and networking, support for pilots and supplementary project preparation support. The delivery approaches that will be adopted by the Program are further explained in Section E ('Implementation Arrangements').