



Australian Government
AusAID

Australia's Development Cooperation with South Asia

FRAMEWORK FOR 2003–2007



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COVER PHOTO: *AusAID's arsenic mitigation project has brought villagers in Manikganj District, Bangladesh safe drinking water.* PHOTO: Simon Buckley, AusAID

Executive Summary

THE COUNTRIES OF SOUTH ASIA – INDIA, BANGLADESH, SRI LANKA, PAKISTAN, NEPAL, MALDIVES AND BHUTAN – HAVE ACHIEVED STEADY ECONOMIC GROWTH IN RECENT YEARS AND A CONSIDERABLE REDUCTION IN THE NUMBER OF PEOPLE LIVING BELOW THE POVERTY LINE, THROUGH SOME BASIC REFORMS.

Projections remain optimistic, but the countries of the region face the challenge of sustaining growth and benefiting the half a billion poor in the region.

Australia is a relatively modest donor in South Asia – the bulk of Australia's aid resources are necessarily focused upon our near neighbourhood. The Framework for our assistance over 2003–07 seeks to maximise the effectiveness of programs reducing vulnerability and increasing the productivity of the poor. The overarching objective of the South Asia Program is to advance Australia's national interest by assisting in poverty reduction and the achievement of sustainable development.

The Program will:

- > promote good governance and contribute to improved basic service delivery, focusing on health, education and natural resource management at the state and community level; and
- > respond, in line with Australia's capacity, to humanitarian needs and emerging issues of mutual concern to the governments of Australia and South Asia.

The countries of South Asia are at varied stages of development. They face a range of constraints and receive differing levels and types of assistance from other donors. The Program will take a differentiated approach between countries, within the key areas of education, health and natural resource management. Opportunities for multi-country and regional initiatives will continue to be sought.

The Framework maintains the direction of the previous South Asia Strategy, which has resulted in a significant narrowing of the sectoral and geographic focus of the program. Events in South Asia are unpredictable, as they are in the rest of the world. The Program must be flexible and have the capacity to respond promptly and appropriately to priority issues as they emerge.

Opportunities for streamlining the delivery of assistance to South Asia will be maximised. Australia will selectively develop partnerships with other donors, non-government organisations (NGOs) and multilateral organisations with a strong performance record in South Asia. By 2007, Australian aid to South Asia will be delivered predominantly through these bodies and through scholarships. The South Asia Governance Fund has been developed to ensure flexibility to respond to issues of mutual concern to the governments of Australia and South Asia as they emerge.

1 Introduction

THE AUSTRALIAN GOVERNMENT'S OVERSEAS AID PROGRAM AIMS TO ADVANCE AUSTRALIA'S NATIONAL INTEREST BY ASSISTING DEVELOPING COUNTRIES TO REDUCE POVERTY AND ACHIEVE SUSTAINABLE DEVELOPMENT.

As a key part of its broader relations with South Asian countries, Australia has provided development assistance to the region since the 1950s. We continue to do this as part of intensive international efforts to promote growth and development in the region. Shared aspects of our history and culture such as use of the English language, membership of the Commonwealth and British-based systems of law and government afford us opportunities for productive partnerships in South Asia that are not always open to us elsewhere. The countries of the region have significant voices in world affairs and we value their opinions.

Australia's diplomatic and development links are modest compared to those in our immediate region, but they are still long standing and growing. The stability and economic prosperity of the region are both important to global peace and security. Growing markets also offer opportunities that promote mutual prosperity. Our development work is part of this overall effort of engagement.

This paper provides a framework for decision-making with regard to the Australian Government's development cooperation program for 2003–2007. Assistance under the program is provided to India, Bangladesh, Sri Lanka, Pakistan, Nepal, Maldives and Bhutan. These countries are at different stages of development, each with their own development priorities. The Framework sets broad objectives for our assistance, drawn from the region's poverty reduction and development strategies, but recognises that these objectives will be applied differentially, based on the needs and policies of each country.

2 Current context in South Asia

SOUTH ASIA IS HOME TO THE GREATEST CONCENTRATION OF POOR PEOPLE IN THE WORLD. WORLD BANK ESTIMATES SUGGEST THAT 490 MILLION PEOPLE IN THE REGION NOW LIVE ON LESS THAN US\$1 PER DAY. OVER ONE BILLION LIVE ON LESS THAN US\$2 PER DAY.

Despite these figures, there has been considerable success in fighting poverty over the last decade. The region's headcount index – the proportion of people living below the poverty line – declined from 44 per cent at the start of the 1990s to 37 per cent in 1999.

Projections to 2015 by the World Bank show the region continuing its successful performance in poverty reduction. The number of people living on less than US\$1 per day is expected to fall to 279 million – 16.7 per cent of the total population.

The basis for this strong performance has been the region's ability to deliver strong levels of economic growth. The growth rate has increased from 3.1 per cent in the 1970s, to 5.8 per cent in the 1980s and 5.2 per cent in the 1990s.

The latest projections, which take account of the economic effects of the events of September 11 2001, suggest that the region can still maintain a growth rate of 5.3 per cent through to 2015. With sustained reforms and lower population growth, per capita growth could exceed 4 per cent per year.

There are risks to this optimistic outlook. Governments face severe challenges in managing their spending and revenue. Many must eliminate expensive subsidy programs that support the better-off rather than the poor. Revenue raising measures must be broadened to reduce the pressure on trade taxes. Pro-poor spending must continue, including in the areas of health and education where impressive progress has already been made.

Further tensions will come from rising levels of inequality. In India, for example, recent research suggests that the wealthier states of the south and west are growing faster than their northern and eastern counterparts, and that urban areas are growing more quickly than rural ones.

In parts of South Asia, such as Bangladesh, food continues to represent a high proportion of total expenditure of the poor and food security is not assured year round, particularly in isolated rural communities.

Each of these challenges will call on sound and effective governance across the economy – including government and civil society – if they are to be met.

3 Development priorities of the Governments of South Asia

THE GOVERNMENTS OF SOUTH ASIA ALL SEEK TO REDUCE POVERTY BY TARGETING THEIR PROGRAMS TOWARDS VULNERABLE PEOPLE AND ADOPTING BROAD ECONOMIC AND SOCIAL REFORMS TO ENCOURAGE GROWTH. EACH HAS CLEARLY ARTICULATED DEVELOPMENT PRIORITIES.

Sri Lanka and Nepal have prepared draft Poverty Reduction Strategy Papers (PRSP)^I which describe their macroeconomic, structural and social policies and programs to promote growth and reduce poverty. Bangladesh and Pakistan have prepared Interim Poverty Reduction Strategy Papers (I-PRSP) outlining their current poverty reduction strategy and indicating how they are going to develop full PRSPs. India, Maldives and Bhutan have developed Five-Year Plans.

Common priorities for reducing poverty across the region include:

- > sustainable economic growth – India specifies a target annual GDP growth rate of 8 per cent;
- > effective governance, including civil service reforms that improve transparency, accountability and efficiency; revenue and judicial reforms; and involvement of civil society as partners in development;
- > investment in social sector delivery systems, particularly in relation to primary education and health, including water and sanitation;
- > human development via direct access for vulnerable people to maternal and child health services, nutrition, literacy, water and sanitation services;

- > environmental targets, including increased forest cover, more sustainable community management of natural resources and cleaning of major polluted waterways;
- > attention to women's advancement and to the closing of social and gender gaps in development; and
- > increased per capita income for the poor through job creation, particularly in the agriculture sector.

Structural reform of financing for development is another important priority. This includes the intention to:

- > remove or reduce unsustainable government subsidies in areas such as water, power, fertilisers;
- > encourage private investment in sectors such as communications and power; and
- > reduce government deficits and focus government resources on pro-poor interventions.

¹ Poverty Reduction Strategy Papers (PRSP) describe a country's macroeconomic, structural and social policies and programs to promote growth and reduce poverty, as well as associated external financing needs. PRSPs are prepared by governments through a participatory process involving civil society and development partners, including the World Bank and the International Monetary Fund (IMF).

4 Australian aid in South Asia

A. CONTEXT

The focus of Australian aid to South Asia has moved in recent years from infrastructure development and support for commercial ventures, towards assistance that improves basic service delivery for the poor. The new emphasis is in the areas of health and sanitation, education and natural resource management. Australian aid places increased importance on government and civil society capacity building, human rights, reducing the spread of HIV/AIDS and shifting our food aid assistance to Bangladesh to a focus on food security.

Over the last three years, the number of aid activities undertaken by Australia in South Asia has been considerably reduced and the length of activities has grown. This has allowed resources to be more focused and thus, a degree of specialisation has emerged.

Modes of delivery have varied over the years. For example, the 1999–2002 Strategy emphasised bilateral projects, particularly in India and some of the smaller countries such as Maldives. The program also entered partnerships with a number of multilateral donors in this period. Results have been mixed for both multilateral and bilateral activities, but it is clear that implementing traditional bilateral projects is a resource intensive approach to delivering Australian assistance, and there are benefits in exploring more cost-effective and resource efficient methods.

The 1999–2002 Strategy proposed addressing some common development issues on a regional basis to obtain economies of scale and greater administrative efficiency. Subsequently, multi-country initiatives were trialed, including an Arsenic Mitigation Program and micro-finance activities across the region, from which several lessons have been learned. While Australia's modest presence in the region does not enable us to drive regional/multi-country cooperation, opportunities do exist for us to develop partnerships with organisations such as the World Bank and DFID, to support their regional/multi-country efforts and our own program objectives.

Past years of development cooperation suggest that Australia, in several niche areas, has provided valuable assistance that has had positive flow-on effects. For instance, the 'forest user group' is a tool developed under the auspices of the Nepal–Australia Community Forestry Project that has been replicated across Nepal and other developing countries, including Cambodia. The Australian Development Scholarship (ADS) program with Maldives has had a significant impact on human resource development. ADS graduates are present in almost every government department in senior positions. In India, our approach to water supply and sanitation in Bangalore has been successful in strengthening institutional governance and planning, community participation and leveraging other donor funding.

B. OBJECTIVES FOR 2003–2007

The overarching objective of the South Asia Program, in keeping with the objective of the aid program as a whole, is to advance Australia's national interest by assisting in poverty reduction and the achievement of sustainable development in South Asia.

Australia is a relatively small donor in South Asia with modest financial, technical and administrative resources to apply². We need to be strategic in our interventions to maximise impact. The specific objectives of the program are to:

- > promote good governance and contribute to improved basic service delivery (with a focus on health, education and natural resource management at the state and community level); and
- > respond, in line with Australia's capacity, to humanitarian needs and issues of mutual concern to the governments of South Asia and Australia, as they emerge.

C. RATIONALE

GOVERNANCE

Governance is not simply about government. It encompasses the complex mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights and obligations, and mediate their differences.

Good governance means competent management of a country's resources and affairs in a manner that is open, transparent, accountable, equitable and responsive to people's needs.

It has been observed in numerous studies that per capita incomes and the quality of governance are strongly correlated across countries³. The evidence suggests that better governance is fundamental to sustainable economic growth and a more equitable distribution of the benefits of development. In South Asia, where the past decade has witnessed impressive economic growth, but

slower improvement in the income or livelihood of poor people, improving governance is an empirically supported strategy for poverty alleviation.

Our assistance in governance will focus largely on capacity building and policy reform in the key basic service delivery areas supported under this Framework. Such assistance will be provided where there is a demonstrated commitment to reform, particularly as expressed through partner governments' budgetary processes.

Assistance will extend beyond the key basic service delivery areas in the case of priorities of mutual concern to the governments of Australia and South Asia, through the South Asia Governance Fund and Australian Development Scholarships.

BASIC SERVICE DELIVERY

The Australian aid program's poverty reduction strategy includes a focus on reducing the vulnerability of the poor and supporting interventions that enable the poor to increase their productivity.

Sustained access to the necessary tools for people to participate in growth, including health, education and a basic livelihood, lays the groundwork for skilled and productive populations. This ensures the poor can expand their range of choices, improve their productivity and participate more fully in society.

Over the next five years, the South Asia Program will continue to contribute to improved basic service delivery in our partner countries. The Program will pay attention to gender in the analysis of needs, and in particular will promote the unrealised potential of women in South Asia.

Australia's investment in health under this Framework will have an emphasis on improving government service delivery and community participation to address water supply and sanitation issues, HIV/AIDS and nutritional deficiency. This will help reduce the impact of disease on livelihoods.

² Bilateral expenditure for 2001-02 was \$55.1 million and total aid for 2001-02 was \$105.7 million.

³ Kaufmann and Kraay, 2002, 'Growth without Governance: updated indicators, new results', World Bank, available at <http://www.worldbank.org>

In South Asia more than 800 million people do not have access to adequate sanitation and some 150 million do not have access to safe water. According to UNAIDS, at the end of 2001 there were 4.1 million people living with HIV/AIDS in South Asia. There are unmistakable signs of an expanding epidemic and UNAIDS warns that the region has only a narrow window of opportunity to forestall catastrophe.

Australia will continue to invest in basic education in South Asia, with a focus on providing greater access for rural children to quality primary education. Primary education contributes to strengthened economic growth, the ability of the poor to reap the benefits of growth, and national stability.

In parts of the region female illiteracy is amongst the highest in the world, and Australia will continue to work in partnership to address this imbalance.

Thirdly, the program will focus on basic service delivery in the area of natural resource management, with an emphasis on sustainable livelihoods and participatory community management of natural resources.

As the rural poor rely substantially on natural resources for their livelihood, a focus on improving natural resource management is essential for food security, improved income and long-term access to water supplies and a sustainable natural resource base.

In these areas of focus, postgraduate training provided through Australian Development Scholarships, will equip service providers and policy makers with skills essential to improve governance and service delivery.

EMERGENCY AND HUMANITARIAN ASSISTANCE

Australia, in line with our capacity to respond, provides support to South Asia to meet the immediate needs of affected people in humanitarian crises.

This assistance is prioritised as part of our global assistance to emergencies, through contributions to international appeals by UN agencies and international organisations and grants to the World Food Programme and Australian NGOs where relevant.

However protracted natural and conflict-related emergencies and ongoing humanitarian needs are increasing in many parts of the world, including South Asia.

In line with 2002 Ministerial Statement, Australia's Humanitarian Program Strategy (2001-2003) and the Peace, Conflict and Development Policy, this Framework seeks to better align and integrate humanitarian, peace and conflict and longer-term development issues into our program planning for South Asia.

Our support for humanitarian objectives in South Asia will be implemented primarily through longer-term public sector reform, capacity building and governance activities. These focus on service delivery areas such as health, education and natural resource management. There may be selective and direct support for conflict reduction, prevention, peace building and post conflict recovery.

This support includes:

- > Building capacity in key public service delivery agencies, especially through our health, water supply and sanitation and natural resource management activities, so that the impact of conflict and natural disasters is mitigated by improved governance and distribution mechanisms.
- > Enhancing strategic partnerships with, and capacity building for, selected international agencies and NGOs that deliver our humanitarian assistance.
- > Providing food aid for short and longer term food security, particularly developmental food aid in Bangladesh and Sri Lanka. In Bangladesh developmental food aid is a fundamental plank of our assistance.

- > Ensuring that our program is conflict-sensitive, prioritising activities that alleviate poverty and promote peace, stability and growth. In Sri Lanka Australian assistance will directly support the peace process, focusing both on immediate mine action, reintegration of internally displaced persons, community rehabilitation and the longer-term empowerment of the most vulnerable in conflict-affected areas. This will build a sound platform for the transition from relief to development work.

EMERGING ISSUES

The last few years have been volatile and unpredictable in South Asia, as in much of the world. Terrorism, civil conflict and political instability continue to see South Asian people displaced, disadvantaged and harmed.

The Maoist insurgency in Nepal has destroyed infrastructure and undermined confidence. The long-running conflict between India and Pakistan over Kashmir remains unresolved. (There are, however, positive signs in Sri Lanka with an extended cease-fire between the government and the Liberation Tigers of Tamil Eelam (LTTE) after decades of fighting.)

People trafficking and HIV/AIDS are increasing problems within and beyond South Asia. In particular, the impact of HIV/AIDS on South Asia has the potential to reverse decades of economic progress, posing a major threat to human and national security.

In addition, globalisation is rapidly increasing the interdependence of countries. This is especially true with regard to world trade, where the evidence strongly suggests that openness to international trade creates and sustains higher growth (Bhagwati and Srinivasan 1999).

In South Asia, and particularly India, trade liberalisation has contributed to increased economic growth. In the 1970s, India's economic growth rate was around 3.1 per cent per annum but by the 1990s, the rate of growth had increased to around 5.2 per cent per annum. Steps to integrate the regional economies of the Indian states and increase international trade have played a large part in this growth.

In particular, India initiated economic reforms in 1991, including tariff reform, under which the simple average tariff rate was decreased from 71 per cent in 1993–94 to 35 per cent in 1997–98, with a weighted average of 20 per cent. These reforms have contributed to healthy economic growth. The Government of India aspires to increase the GDP growth rate per annum to 8 per cent over the next five years through further economic, sectoral and trade reform.

Australia lends support to developing countries working towards trade liberalisation through various mechanisms. For example, Australia leads the Cairns Group in working to lower agricultural trade barriers through the World Trade Organization (WTO).

In support of the current round of WTO negotiations (Doha) Australia assists developing countries to participate effectively in the negotiations, and from July 2003 provides duty-free and quota-free entry for all products from least developed countries, including Bangladesh, Bhutan and Nepal.

Through our development cooperation program with South Asia, Australia will, in 2003–2007, provide technical assistance to facilitate further reform and increased participation by South Asian countries in international trade. For example, a forthcoming review supported by Australia will result in recommendations for changes to Nepal's intellectual property rights legislation. This will ensure that it meets the needs of Nepal and is compatible with the WTO Trade Related Intellectual Property Rights (TRIPs) agreement. This is a necessary precursor to Nepal's accession to the WTO.

In addition to trade-related assistance, emerging issues of mutual interest to Australia and governments of South Asia, such as people trafficking, sometimes require the aid program to deliver targeted and prompt assistance.

This assistance cannot always be anticipated in long-term strategic plans. It is therefore efficient and prudent to build flexibility into the Framework to deal with such issues as they emerge. In 2003–2007, we will endeavour to increase our flexibility both through existing training and capacity building activities, as well as through the South Asia Governance Fund, which has the ability to respond selectively to initiatives as they arise.

D. AID DELIVERY METHODS

The Australian aid program is increasingly focused on meeting the development needs of partners in our immediate region.

Pressing needs in the Pacific and South East Asia absorb the bulk of the aid program's limited financial and human resources. Therefore, in 2003–2007 the focus for the South Asia program will move away from traditional bilateral project assistance towards more flexible and less resource intensive delivery mechanisms, predominantly international organisations, NGOs, the Australian Development Scholarship (ADS) program and increasingly through regional mechanisms.

Assistance to Maldives and Bhutan will be delivered solely through targeted Australian Development Scholarships, in recognition of the imperative need for human resource development in both these countries.

Assistance to India will be progressively streamlined and adapted in line with the Government of India policy on bilateral aid donors that has requested small aid donors to stop, over time, programming discrete bilateral activities in favour of supporting NGOs or pooling resources in multi-donor funds.

Some selective, innovative bilateral activities developed during the previous strategy in areas of strategic importance in India, Sri Lanka and Nepal will continue. We will however, work towards adapting these few important bilateral projects into multilateral or regionally delivered initiatives over time. This will involve more structured collaboration with other donors and may involve a period of hybrid delivery.

For example, steps have been taken in India to streamline support for water and sanitation assistance by restructuring two bilateral activities and funding for the World Bank regional water supply and sanitation program into an integrated program of assistance with a single outsourced manager. A clear exit strategy will also be developed early in the life of the program.

MULTILATERAL ORGANISATIONS AND INTERNATIONAL DONORS

South Asia is a major recipient of aid assistance through multilateral organisations and international donors. The large resources that these organisations can mobilise allow them to tackle the needs of developing countries that are well beyond the scope of donors such as Australia. Multilateral organisations are also well placed to promote policy dialogue with partner countries on sensitive issues, especially related to good governance.

Working with multilateral and international donor organisations⁴, provides an opportunity for Australia to harmonise and maximise the impact of our assistance, given our comparatively limited resources and exposure in South Asia.

Australia will build on past and current program experience, for example with UNICEF, in the provision of basic education in India, Bangladesh and Pakistan. We will selectively engage with multilateral and other donor organisations through joint policy dialogue and co-financing, to increase the impact of our program funding in the Framework's areas of focus.

⁴ Where other bilateral donors are supporting initiatives in areas that are in accord with Australia's objectives, and where they have advantages of scale and it is beneficial and efficient, we may seek to invest in such initiatives under a delegated cooperation agreement.

Where appropriate, we will also seek to contribute to improved donor coordination and coherence, and support Partner Government leadership of coordination processes.

While recognising the limitations of Australia's modest aid resources in South Asia, our policy and program engagement through multilateral and other donor organisations will aim to assist our South Asian partner countries to better utilise the resources available to them and to attract further investment for development.

NON-GOVERNMENT ORGANISATIONS

The nature of NGOs enables them to play a valuable role in the delivery of Australian aid. Their particular strengths, such as the ability to reach the most vulnerable groups, to develop links with communities and to work in difficult environments are particularly relevant in South Asia.

Direct funding for accredited Australian NGOs working in South Asia will continue to be mainly provided through the ANCP⁵ and quality will continue to be an important aspect of funding considerations.

We will, where appropriate, identify opportunities for, and encourage, Australian NGOs to partner with NGOs in South Asia and build their capacity to manage community activities, for example through the ANCP and the Australian Community Rehabilitation Program in Sri Lanka.

Capable South Asian NGOs will continue to be supported through bilateral program initiatives, in particular through the South Asia Community Assistance Scheme, to provide social support and protection for vulnerable people.

The water supply and sanitation program in India will work with local NGOs and community-based organisations. It will demonstrate to service delivery institutions the benefits of involving community members in the planning and implementation of water supply and sanitation services.

SCHOLARSHIPS

Australia's development scholarship program has made a significant contribution to the development of people in South Asia over many years.

Scholarships create strong links between Australia and South Asia. In the longer term, scholarship beneficiaries can be instrumental in bringing about reform and institutionalising practices essential to good governance in their own countries, by virtue of their studies and Australian experience.

Scholarships for tertiary study in Australia, predominantly at post-graduate level, will continue to be provided as part of this Framework. Scholarships are intended to strengthen governance and basic service delivery in our focus areas of health, education and natural resource management. We will identify and support practical and affordable initiatives for enhancing access to education and knowledge in our partner countries through the use of information and communications technologies. Building on past reforms, ongoing efficiencies will be developed for the management of the scholarship program across the region.

FLEXIBLE MECHANISM TO RESPOND TO EMERGING NEEDS

An important element of the Framework is the maintenance of the flexibility to respond to emerging priorities of Australia and South Asian countries. We will maintain a limited capacity to mobilise Australian expertise through the South Asia Governance Fund in support of targeted, small-scale technical assistance for improved governance. The Fund will be a responsive mechanism that contributes to key issues identified in this framework, as well as addressing emerging needs in the region.

⁵ Australian NGO Cooperation Program.

REGIONAL INITIATIVES

The program will continue to explore and implement opportunities for addressing cross-border development issues by supporting relevant programs of other donors, where such regional programming strengthens or is more effective than bilateral interventions.

For example, we will work with the World Bank regional water and sanitation program to encourage reform and innovation in relevant service delivery and policy institutions in South Asia. We will use this partnership with the Bank to leverage additional resources to the sector, strengthen our work in the water and sanitation sector in India, and in turn, feed back lessons learned to the Bank's regional program.

New programs of this nature may be funded as resources become available during the latter part of the framework period. The South Asia Governance Fund will also support regional initiatives.

E. GEOGRAPHIC FOCUS

The majority of aid funds in 2003–2007 are projected to remain focused on India, Bangladesh, Sri Lanka, Pakistan and Nepal, with the regional program providing flexibility to respond to emerging needs outside of formal program allocations. Assistance to Bhutan and Maldives will be through the Australian Development Scholarship scheme.

Additionally, we will continue to carve out geographic areas of focus where doing so maximises the impact of our aid assistance. For example, proposed development activities to India will focus on the smaller, reform-minded states of the North East and Himachal Pradesh in line with earlier requests by the Indian Government for specific Australian assistance in these states. Because of their comparatively small populations and lack of other bilateral donor assistance, Australia is well placed to have an identifiable impact during this period.

5 Risk

RISK ASSESSMENT AND MANAGEMENT IS AN INTEGRAL PART OF THE SOUTH ASIA PROGRAM AT ALL LEVELS. MAJOR RISKS TO IMPLEMENTATION OF THE FRAMEWORK, WHICH CAN BE SEPARATED INTO INTERNAL AND EXTERNAL CATEGORIES, ARE OUTLINED BELOW.

INTERNAL RISKS

THE NATURE OR FOCUS OF AUSTRALIA'S NATIONAL INTEREST MAY ALTER

Given the rapidly changing nature of international events, it is not possible to predict all issues that may impact upon Australia, and/or the South Asian countries covered by this Framework.

There will be a mid-term review of the Framework to ensure that objectives are still valid. In the interim, ongoing monitoring will identify whether the Framework remains consistent with Australia's national interest in both the short and long term. In particular we will pay close attention to the program in India to gauge continued Government of India support and to ensure that it is meeting our aid and foreign policy objectives.

METHODS OF DELIVERY CHOSEN PROVE TO BE IMPRACTICAL OR INEFFECTIVE

The Program will be monitored regularly and reviews will assess overall effectiveness of delivery mechanisms. Capacity building initiatives and the careful selection of development partners will assist in mitigating this risk. Additionally, stop-go review points in projects will ensure that non-performing activities can be terminated.

EXTERNAL RISKS

INSTABILITY AFFECTING DELIVERY OF ACTIVITIES

It is probable that instability will be an ongoing issue in South Asia during the life of this Framework. We will seek to mitigate the risk to our program by maintaining flexibility in design and delivery mechanisms; entering into appropriate agreements with partner organisations to ensure that we can withdraw or take appropriate action if activities cannot be mobilised; and increasing the proportion of assistance delivered through multilateral organisations and NGOs.

Likely causes of instability in South Asia can be global or regional:

Global	Regional
> Severe international economic crisis or global downturn	> Regional natural disaster
> Terrorism	> Civil and intraregional conflict / Peace processes falter in region
	> Political instability in region, unexpected changes in administration
	> Continued fiscal stress leading to government program cutbacks and under-resourcing of counterpart commitments
	> Changes in South Asian governments' priorities, plans and/or policies
	> Political/institutional inability to address key impediments to poverty reduction
	> Opposition or interruption to reform efforts

6 Performance measurement

ACTIVITY LEVEL PERFORMANCE WILL BE MEASURED THROUGH STANDARD REPORTING TOOLS AND PROCEDURES. WHERE WE PROVIDE SUPPORT THROUGH OUR MULTILATERAL AND NGO PARTNERS, WE WILL ENSURE THAT THE TIMELY PROVISION OF PERFORMANCE INFORMATION AT THE ACTIVITY LEVEL IS A REQUIREMENT OF PARTNERSHIP AGREEMENTS.

Multilateral organisations will also be required to provide performance information on target sectors in partner countries.

At the strategic level, a mid-term review of the Framework will be commissioned. The review will determine whether the Framework is appropriate, whether Australia is achieving objectives and how well the program is managed. The review will also assess the appropriateness of our sector focus. Review findings will provide the basis for making any required shifts in Australia's strategic focus in the region and adapting our program accordingly.

Overall performance of the program will be measured through its contribution toward achieving South Asian development objectives, as articulated in each partner country's approved development plan or equivalent Poverty Reduction Strategy Paper. Relevant indicators identified within these plans will be monitored to assess the broader context within which Australian aid is delivered.

There will be a final review of the Framework at a minimum of eight months before expiry to appraise the effectiveness of our development assistance to the region and determine the future role of Australian aid in South Asia.

