

AusAID-SAR Policy Facility for Decentralization, Local  
Governance and Service Delivery

# Annual Progress Report

**The World Bank Group: South Asia Region**

The World Bank  
September 2009

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# **AusAID-SAR Policy Facility for Decentralization, Local Governance and Service Delivery**

## **Annual Progress Report July 2008 to August 2009**

### **1. Background**

The reporting period has been a time of turmoil and transition in South Asia with major regime changes towards more democratic forms of government in Nepal, Pakistan and Bangladesh. Nepal saw the transition from parliamentary politics to monarchy and then back to multiparty polity which brought to power the Maoists who had led the insurgency. The monarchy was abolished and a new constituent assembly was constituted to write a new constitution and restructure the state as a federal entity. The Maoists then stepped down due to differences and took their seat on the opposition benches with another coalition coming to power. In Pakistan there was a return to multiparty politics with the former military dictator giving way to a democratically elected government. In the period of turmoil that followed the sacking of the Chief Justice and fellow judges and the call for elections, former Prime Minister and candidate for the post of PM, Ms Benazir Bhutto was assassinated. In Bangladesh the transition government backed by the military gave way to elections with a single party the Awami League coming to power. Bhutan held its first national election in March 2008 in a guided transition to democracy encouraged by the monarchy. In India national elections staggered over several months in the summer of 2008 resulted in the same government coming back to power with a new coalition. Elections also took place in Afghanistan with the results being contested.

Armed conflict continued to plague the region with the Taliban emerging stronger in parts of Afghanistan and in the North-west region of Pakistan. A major terrorist strike in Mumbai resulted in several deaths while several states in India continued to see low levels of violence by armed Naxalites. During this period the Tamil insurgency in Sri Lanka suffered a military defeat. The attention has now turned to rebuilding the Northern and Eastern provinces after their devastation by armed conflict.

Both the move to more democratic forms of government and the armed conflict placed more stress on decentralizing power to lower levels of government and to state building through greater voice, participation and accountability. The window of opportunity to engage on these issues with client governments increased. However in some instances as in Nepal and Sri Lanka after armed conflict, the actual modalities of such a move are still in the process of being defined, while the decreasing security situation in Pakistan made it difficult to engage effectively

on the ground. The Bank's Task Team Leaders (TTLs) have been thus been facilitating policy and institutional changes around decentralization, local governance and service delivery within differing and sometimes difficult operating environments.

Within the South Asia Region of the World Bank a transition resulted in a new Vice President Isabel Guerrero taking over in July 2008. All of the Sector Directors who oversee the Facility also changed during this period. The Facility has however continued to be managed by Junaid Ahmad, as Program Manager and Tara Sharafudeen, as Program Administrator since its inception in January 2007.

The SARVP met with the Director General of AusAID Bruce Davis and the Deputy Director General for South Asia Richard Moore in December 2008. Both sides expressed the desire to strengthen this partnership and the DG of AusAID expressed his satisfaction with the way the Facility was being managed. Subsequently on December 9, 2008, Junaid Ahmad and Tara Sharafudeen met with Richard Moore and discussed ways and means by which the Facility could expand its impact.

The report is divided into two parts the first part looks at the financial summary and the second at the impact of the Facility in its two year and eight months in existence.

## 2. Financial Summary

### 2.1 Allocations

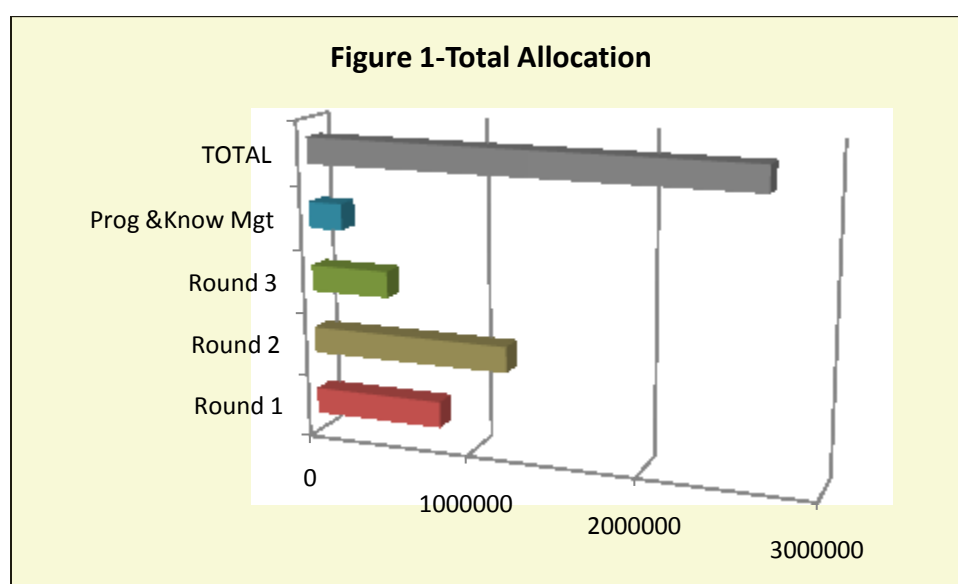
The Policy Facility with a corpus of Aus. \$ 5.75 million over five years became operational in January 2007 when the first tranche of Aus \$ 1.25 million was received. An amount of US \$ 936,937.50 was received by SAR, after the Bank's Trust Fund (TF) unit's fees were deducted. See **Table 1 Receipt of Funds**. Against this an allocation of \$ 988,532.94 was made in Round 1 in May 2007. The second tranche of Aus. \$ 1.5 million (with a onetime additional amount of Aus. \$ 750,000) was received in January 2008 and an allocation of \$1,204,504.90 made. The third tranche in 2009 was for Aus\$ 750,000 which amounted to \$ 461,700. Allocations in Round 3 were to the tune of \$ 476,000. Refer to **Figure 1 Total Allocation**.

**Table 1: Receipt of Funds 2007-2009**

	Amount in US\$		
	Amount Received by WB	TF Admin Charges	Amount Received by Unit
Tranche 1 (FY2007)	986,250.00	49,312.50	936,937.50
Tranche 2 (FY2008)	1,397,100.00	69,855.00	1,327,245.00
Tranche 3 (FY2009)	486,000.00	24,300.00	461,700.00
<b>Total</b>	<b>2,869,350.00</b>	<b>143,467.50</b>	<b>2,725,882.50</b>

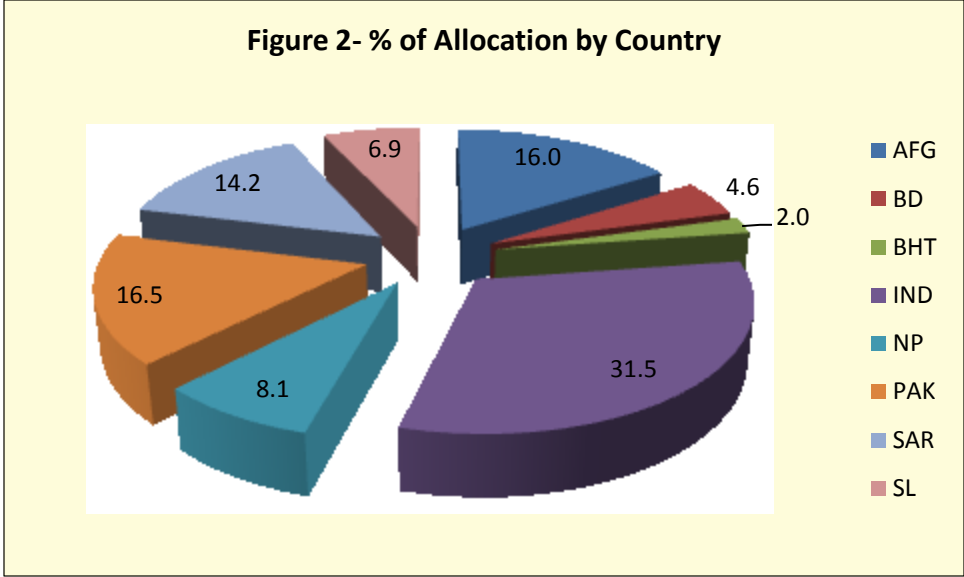
A total of \$ 2,725,882.5 was received against which an allocation of \$ 2,669,037.94 was done. This includes \$ 200,000 for program management and knowledge activities. The residual funds of \$ 56,844.66 are held in the Just in Time Window (JIT) to respond to urgent requests from clients. See Figure 1 for allocations by each round.

Thirty activities have been funded, 8 in Round 1, 10 in Round 2 and 5 in Round 3. In addition 7 activities were funded under the JIT window. The number of activities funded in Round 3 has decreased significantly due to the smaller tranche and because of a strategic decision to focus the bulk of the funds on issues related to decentralized delivery of health and education for greater impact.



### 2.1.1 Allocation by Country

Funds have been allocated for activities in all countries that make up the South Asia Region (SAR) except Maldives. See **Figure 2 Allocation by Country**. India received 31.5% of funds followed by Pakistan with 16.5% and Afghanistan with 16%. Nepal and Sri Lanka received 8.1%, and 6.9% respectively.

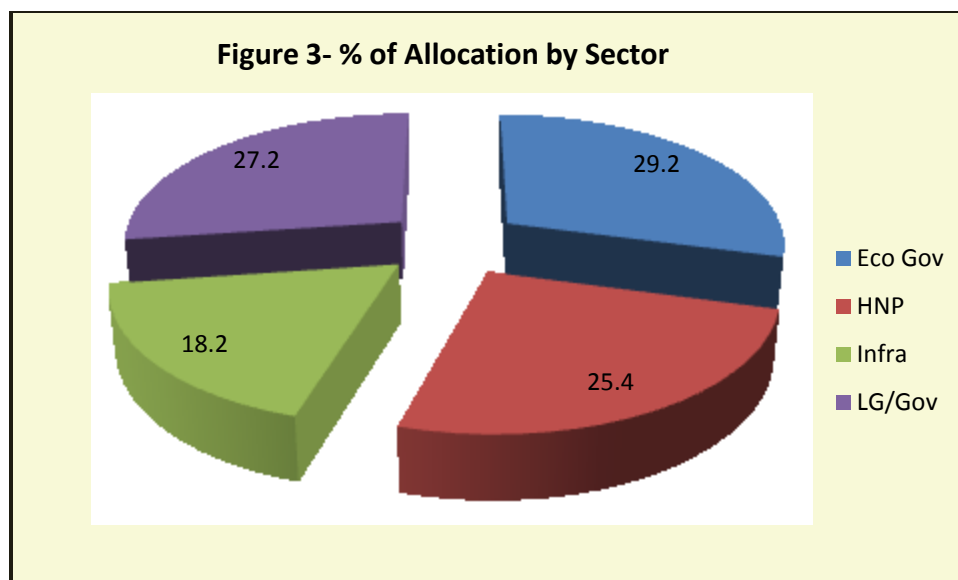


Bangladesh and Bhutan received 4.6 and 2.0% of resources. Activities that span more than one country received 14.2% of funds.

**2.1.2 Allocation by Sector**

The sectors covered by the Trust Fund are economic governance, infrastructure, water and sanitation, health and education. Funds have been distributed fairly evenly between all these sectors. Economic governance which covers the work on the intergovernmental fiscal systems received 29.2% of resources. This was followed by local governments and local governance with 27.2%. The health and education sectors were funded from Round 2 and received 25.4% of funds. This was followed by infrastructure covering energy, transport and water and sanitation with 18.2% of allocations. *See Figure 3- Allocation by Sector.*





### 2.1.3 Allocation under Just in Time (JIT) Window

The JIT window was created to build in additional flexibility in responding to urgent requests from clients and Task Team Leaders (TTLs) in the interim period between annual allocations. An amount of \$80,275 (3.25 % of total allocations) was made under the JIT window to seven activities.

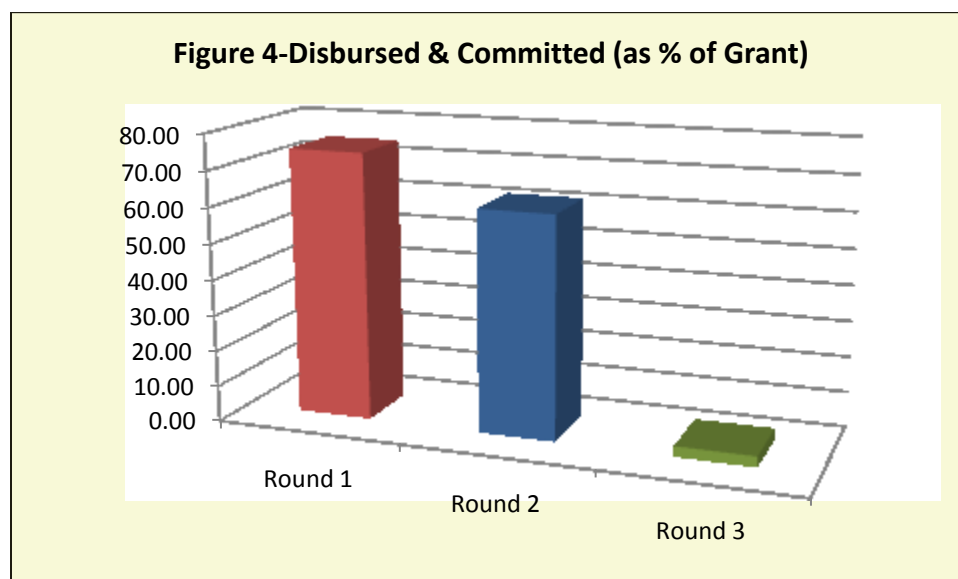
### 3. Disbursements and Commitments

Commitments of funds against contracts and the actual disbursements of funds is one of the indicators of performance of the Facility. Here we need to not just look at overall commitments and disbursements but at the performance on this indicator over the different rounds. This is because allocations are staggered according to rounds. Round 1 was completed in May 2007 and most of the activities funded are now closing. Activities funded in Round 2 in May 2008 are ongoing. Allocations to activities in Round 3 were completed in August 2009 and work is just starting. The delay in funding Round 3 activities was due to the fact that it took several discussions with sectoral colleagues to arrive at a multisectoral work program focusing on health and education.

**Table 2: Disbursements and Commitments of Funds per Round  
2007-2009 (with Program Management)**

	<b>As % of Grant</b>
Round 1	73.11
Round 2	61.70
Round 3	2.79
Program Mgt.	80.01
Total	55.9

The overall commitment and disbursements for the TF is 56%. Disbursements for Round 1 are 73.1%. Most of the activities in this round are closed or are closing and residual funds are being transferred to Round 3. For Round 2 the corresponding figure is 61.7% for the one year and four months that these funds have been allocated. In Round 3, 2.8% of funds allocated have been committed or disbursed. These figures are expected to go up shortly as activities start picking up. An amount of \$ 160,000 has been disbursed against program management and for knowledge activities including organizing the AusAID-South Asia Decentralization Series. Details are in *Annex 1 Disbursements and Commitments-Rounds 1-3*.



### 3.1 Round 1

In this round 73.1% of funds allocated have been committed and disbursed. All activities in this round have been completed and as activities close the residual funds are being allocated to Round 3. Of the eight activities funded five have been completed as envisaged while three have been completed partially.

The NSP economic evaluation which captured the economic benefits from the infrastructure sub-projects was completed (see report attached) and presented to the Government of Afghanistan (GoA) and to development partners. The Jirga or national conference of CDC members was held in November 2008. In this period GoA created the Independent Directorate for Local Governance (IDLG) with a mandate to formulate the country's sub-national governance policy. The review of the Community Development Council (CDC) by-laws took place but the revision was postponed until a clear picture emerged of the role of CDCs in the local government structure. The work on fiscal flows to CDCs led to the GoA requesting Bank's technical assistance for the entire inter-governmental framework with a special emphasis on sub-national

fiscal flows. The study of power reforms in the state of West Bengal in India was completed (see report attached) and a successful workshop with stakeholders in the power sector organized in Delhi and a seminar held at the World Bank in Washington DC. The seminar was attended by Robert Christie, AusAID staff and adviser to the Executive Director for Australia at the World Bank. The study and suggested local governance framework for electrification of remote villages in Pakistan lying outside the grid with alternative energy was completed. (frame work and report are attached). The Government of Pakistan's (GoP) Alternate Energy Development Board is applying the two governance models developed in two pilots. Under the fiscal federalism work in Nepal technical assistance was provided to the New Economists Group that was advising the committees of the constituent assembly. A series of policy forums, round tables, and learning events were organized for a variety of stakeholders on all aspects of fiscal federalism. The effort was to foster a common understanding of fiscal federalism issues, cutting across political party lines and to move different stakeholders towards a shared agenda.

Two activities one in Nepal and Pakistan are being closed as partially completed due to reasons beyond the Task Team's control. The metro management workshop in Punjab province of Pakistan could not be held as scheduled for several reasons. The proposed loan to which this activity was linked was restructured by the Bank due to worsening macroeconomic conditions, from a development policy loan which has triggers related to the economy to a sectoral investment loan. There was also delay due to elections in the province bringing a new government from the opposition to power. Once the loan was restructured and the backing of the new government obtained, the security situation in Pakistan deteriorated and it was not considered safe to hold a large workshop. Instead individual international consultants and practitioners were brought in to work with policy planners in the five large cities of the province. The report from the consultants is attached. The metro management workshop is to be funded as the situation improves from the AusAID funded Infrastructure for Growth Initiative and the residual funds are being reallocated to other faster dispersing activities. The work on design of a decentralized local infrastructure framework could only be partially completed due to delays in defining the structure of the government in Nepal by the constituent assembly. While the background work has been completed the actual recommendations for a framework awaits the new structure of local government. The policy note is attached. This work would be completed as the shape of the new government becomes clear. The urban fiscal reform work in Andhra Pradesh state of India was partially completed. The evaluation of the reforms carried out by the urban local governments and their debt sustainability was completed. Based on this, preliminary discussions were held with the state government regarding the direction of the reform. More time was sought by the TTL since full information on reform and capital grants was not available. However rather than keeping funds idle for a longer period it was decided to allocate the remaining funds to Round 3. The briefs from the consultant are attached.

## 3.2 Round 2

Ten activities were funded in this round in May 2008. As of September 2009, 61.7% of funds allocated had been disbursed or committed. Nearly all activities are progressing well with disbursements and commitments ranging from 47% to 100%. Two activities that are moving slowly are expected to pick up in the near future. One of these is the work on reforms in secondary education in India where the Programme for International Student Assessment (PISA) devised by OECD is to be administered for the first time to secondary school students in India and the South Asia region. There was some delay in the signing of the Memorandum of Understanding between the Government of India and the OECD. The other is the training of NGOs to conduct the first social audit of local governments in Bangladesh. Here the delay is due to the large number of responses received for the expression of interest.

## 3.3 Round 3

Allocations in Round three were completed in August 2009. Of the funds allocated 2.79% are disbursed or committed. The rest are to be committed in the near future. Detailed progress reports on each activity are in *Annex 3 Detailed Progress Report, Rounds 1-3*.

## 4. Program Management

The innovative and strategic program management of the Facility has been recognized as a best practice by the Bank and the program administrator was invited to train other Trust Fund(TF) program managers. From the outset, a proactive approach has been followed by actively engaging with Sector Directors, Country Directors, Sector Managers and TTLs on a possible work program to be funded. This has resulted in the identification of potential activities for funding while they are still in the pipeline. This effort at building a partnership with sector and country teams has enabled the program management team to make an active contribution to shaping the Bank's work program on decentralization, local governance and service delivery.

A concerted effort has been made to make the process of applying for funds less bureaucratic and time consuming for TTLs by keeping the application simple and the entire process transparent. Care is taken to ensure quality at entry by discussing each proposal with the TTL. The program administrator assists the TTLs in thinking through the policy reform process beyond the immediate proposal i.e., what is the background to the reform sought, is there client buy in, what will be the follow up to the activity proposed to be funded? Proposals that do not meet the objectives of the Facility are weeded out in the beginning ensuring that strong proposals come up for selection. In fact the increasing quality of proposals has made the process of selection more difficult. Whereas the usual procedure is for TTLs to submit proposals to TFs and wait for the

outcome, here the program administrator discusses each potential proposal with TTLs and actively works with them to strengthen proposals. Every effort is made to exploit opportunities for cross country and cross sectoral learning by connecting the dots. This assistance has been appreciated by TTLs and has resulted in the quality of proposals going up in each round. An example to illustrate the importance of this input is provided in **Box 1** below. The high quality of proposals was commended by the Sector Director's Forum the body overseeing the Facility.

### **Box 1: From Data Collection to Local Strategies to Address Malnutrition**

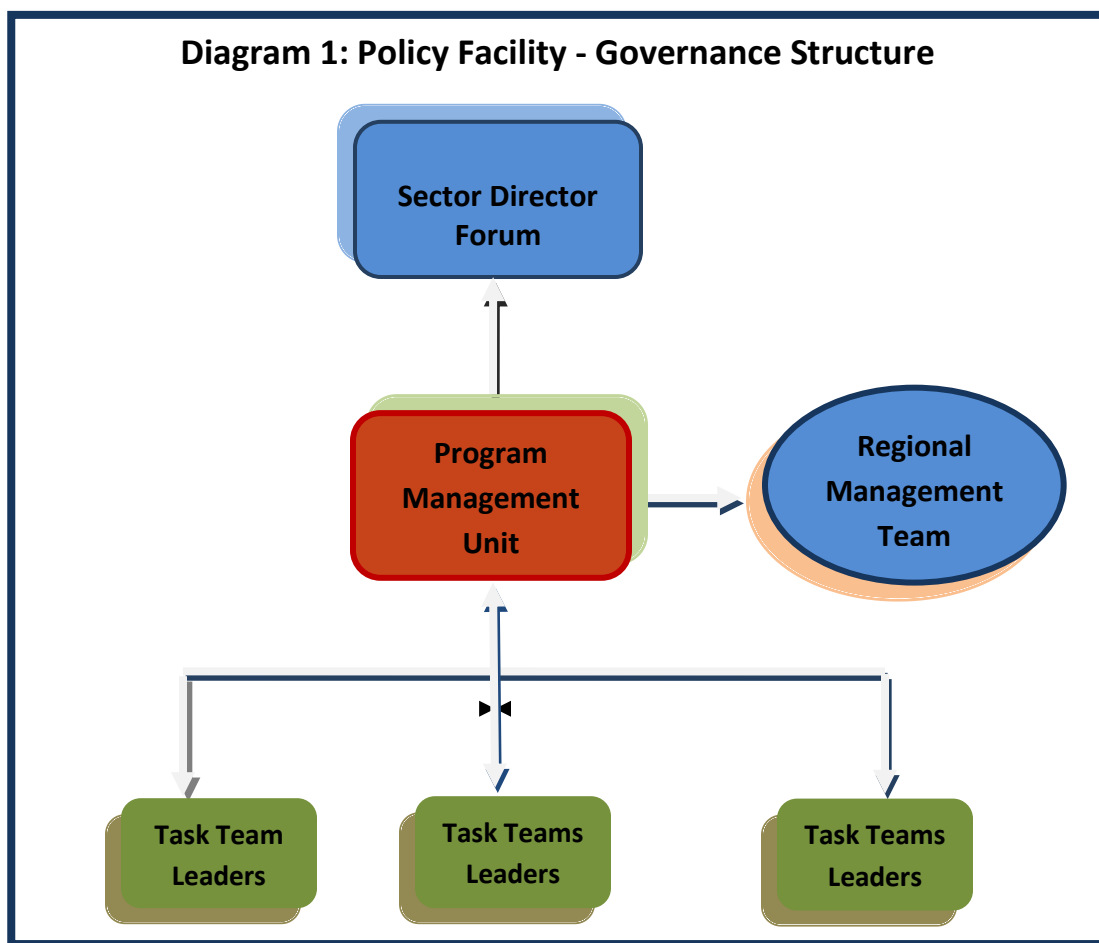
The health team in Sri Lanka sent in a proposal to supplement the data gathering abilities of agencies involved in national nutrition programs. During discussions on the proposal with the team, it was established that a recent Bank study had found that significant pockets of malnutrition existed in rural areas and in the estate sector, despite the overall high health indicators in Sri Lanka. It also became clear that the country did not have a national nutrition strategy. A draft national nutrition strategy had been prepared but it had not been finalized. It was recognized that for interventions to be successful in improving nutritional status they has to be made at the local level. The team was advised to refocus the project on designing local level interventions that could tackle this problem. This could also be a way to get the multiple agencies dealing with nutrition to cooperate. Such interventions should be local owned and should have the inputs and participation of the local community, NGOs, government agencies including the local government. The proposal was thus turned around and the team has achieved great success with designing local level nutritional interventions with community participation. The team is now preparing pilot programs and approaching the Japanese government for funding. A small intervention could thus go a long way to changing malnutrition figures in Sri Lanka.

Only proposals for activities backed by the client and the concerned country director are accepted for consideration in each round. This ensures that all proposals are part of sector and country strategies and are not parallel activities. Strong buy in from the client is essential since policy reforms have to be made by clients. TTLs are asked to discuss their proposals with the client and get their support. This is to ensure that activities funded are completed as envisaged.

Once proposals are selected for funding TTLs are asked to submit detailed work program with timeline and disbursements for each activity. They are then monitored around the milestones suggested by them. Disbursements and commitments against fund allocations are closely monitored on a monthly basis. The TTLs of activities that are disbursing slowly are asked for the reason for this so that any problems with execution can be spotted at once. Steps are taken to move funds from slow moving activities to those that are disbursing fast. An innovation like the JIT window has also resulted in time bound responses to client's requests for assistance.

## 5. Impact of the Facility

Policy and institutional reform is a transaction and time intensive process. The Facility is now into its third year and its impact is starting to be felt. Through leveraging the Bank's processes and lending and the ongoing reform processes in the region, its impact has been extended far beyond the small grants it makes. The investment in policy and advisory services has impacted not only reform in the region, but also the Bank's processes, technical assistance and lending. The Facility has played a catalytic role in changing the way the Bank addresses decentralization, local governance and service delivery issues in South Asia.



The initial period of formation and building region wide ownership for the Facility has been crossed. The institutional system around the Facility is now locked into place. The annual call of funds is anticipated by TTLs across the region. The activities funded by the Facility are fully

embedded in the work program of the Bank and strongly owned by senior management. The Facility is in a position not only to influence the vision related to decentralization, local governance and service delivery but the lending that is concomitant on this. The Vice President who heads the region oversees the region's budget. The Sector Directors (SD) who head various sectors and the Country Directors (CD) who head the country programs between them decide the work program of the region. All allocations to the Facility have to be approved by the Sector Director Forum (SDF) comprising all the Sector Directors, the Chief Economist and the Operations Director who represents the SARVP. They have thus to take a broader view beyond their own sectors, of the activities to be funded. The Program Manager also reports to the Regional Management Team (RMT) in which the CDs and SDs come together.

Decentralization and local governance as a result is now a strong theme in SAR. This has prompted the RMT to ask for the development of a regional strategy to guide the Bank's decentralization and local governance work. A multisectoral team has been entrusted with the task of defining this strategy to inform Bank's engagement in the region.

## **5.1 Meeting the Objectives of the Facility**

In South Asia, service delivery has traditionally been the responsibility of central or state level line agencies or public sector agencies structured as enterprises and utilities. In recent years, the line agency model has been complemented with community based systems. A third shift increasingly becoming prominent is the strengthening of local governments – the tier of the nation state closest to communities.

The growing focus on decentralization in general and local government systems in particular is due to the recognition that scaling up and sustainability of community based systems will require that communities have a counter-part tier of government that is effective and accountable. Local governments provide a common administrative system to manage the delivery of services and offer a platform to reflect the voice and preferences of communities.

The overall objective of the Facility is to support this process by facilitating the effort of clients to develop and implement the institutional and policy reforms needed for efficient and accountable service delivery at the local level. The reforms target the institutional frameworks (fiscal, administrative, regulatory and accountability) required at the national, state and local levels for local service delivery. These reforms in the form of shifts in policy, budgetary allocations, new and better forms of service delivery among others, would lead to direct strengthening of sub-national and local governance for delivery of services

The support offered by the Facility covers the entire spectrum of the policy and institutional change process from policy advocacy, dialogue, design, implementation to monitoring and evaluation. The activities funded include capacity building, knowledge sharing and networking

to perform new roles, learning from regional and global best practices and maximizing innovations and synergies across sectoral and geographical boundaries in SAR.

Within the Bank the effort is to galvanize a cross-sectoral regional support program for institutional reform focusing on decentralization, governance and service delivery. This would enable sectors to think about the linkages to decentralization, in particular to local governance and service delivery

The twin objectives of the Facility are being met at multiple levels. In the region through policy advocacy and dialogue with clients, through partnering and leveraging the Bank's and other development partners' lending and through cross sectoral approaches within the Bank.

### **5.1.1 Facilitating Institutional and Policy Reforms in South Asia**

All the activities funded by the Facility support the institutional reforms needed for efficient and accountable service delivery at the local level. In Round 1 the economic evaluation of the National Solidarity Program (NSP) in Afghanistan was instrumental in persuading the Finance Ministry of the development impact of this multi-donor program. This helped to win support for a third round of NSP funding. The presentation of the documentation of the Jirga or national conference of CDC members helped to obtain additional funding for the program. Nation building in Afghanistan had largely focused on consolidating the power of the central authority. The study on fiscal flows to the local level looked at the building the state from the lowest tier. The fiscal flows to CDCs work funded in Round 1, was expanded at the request of the Afghan government to an examination of the entire fiscal architecture with special emphasis on sub-national levels. This follow up work is being funded in Round 2.

In Nepal global expertise was bought in to inform the debate on a new federal structure. Global practitioners worked with policy planners in the five large cities of Punjab province in Pakistan to define the scope of Bank's \$ 300 million loan to augment metropolitan management and service delivery. A governance framework was designed for rural electrification of off grid villages in Pakistan using renewable energy. This work was discussed with other development partners like GTZ who expressed interest in funding its implementation. The Alternate Energy Development Board in Pakistan has committed \$ 5million to implementing pilots as follow up.

### **5.1.2 Building a Cross-Sectoral Work Program**

The Facility has been responsible for breaking long held sectoral silos in the region by engaging with health and education colleagues, to develop a work program that examines local health and education delivery in South Asia in relation to accountability and outcomes.



Currently the approach to decentralized service delivery of health and education in the region, is through a sectoral perspective, leading to inconsistencies in approaching the issue. The lack of a common understanding of the issues involved and their impact especially the interface of local governments and communities with sectoral objectives affected the ability to be innovative and effective in meeting client demands. The work program will approach the issue from a policy reform perspective that cuts across sectoral boundaries and supports sectoral linkages to decentralization, improved local governance and service delivery. The region's first analytical study of the role of local governments, line departments and communities in efficient and accountable service delivery is now underway. At the operational level the effort is to find synergies between the region's local governance and health and education programs. Within the region the outcome would be multi-sectoral programs that allow for sectoral outcomes in health and education to be linked to the decentralization process

## 5.2 Just in Time (JIT) Window

Once a tranche from AusAID is allocated after the annual call for proposals is complete, no more funds are available to meet urgent time bound requests from clients for technical assistance. To

### **Box 2: Seizing a Window of Opportunity: Reform of Property Titling in Delhi**

In India, the Government of the National Capital Territory (Delhi) was undertaking for the first time a reform of property titling, a key element of strengthening the land and real estate market. The reform had reached a critical stage, when the Bank was asked to provide urgent technical assistance for the draft legislation. A grant supported the consultation process among government and private sector entities and procured the services of a top law firm to prepare, discuss and revise the current draft legislation in consultation with relevant departments and the Chief Secretary to the government. The outcome was a draft legislation to be presented to the Legislative Assembly. Without this timely support from the Bank the draft legislation would likely not be prepared in time for the next session of the Assembly and the momentum built up for reform would be lost.

afford some flexibility in responding to such requests an innovative just in time window has been created under the Policy Facility. The grants offered under this category are small up to \$ 20,000.

For funds to be accessed under the JIT window a case has to be made that an important window of opportunity to facilitate policy and institutional reforms would be lost if we did not respond in time to the request for assistance. The JIT grants have financed crucial interventions that have often lead the way to further reforms. An example is given in **Box 2**.

The JIT window has been appreciated both by staff and clients. When Bangladesh transitioned from military rule to an elected government it allowed for a quick assessment of the impact of the change on ongoing decentralization reforms. This enabled Bank to engage with the government on issues of policy and institutional reform rapidly and in a meaningful way.

Similarly the TA provided to the Local Government Committee, discussing local government reforms helped to push through many of the reforms that followed. It was largely based on the recommendations made that elections were held to the Upazillas the higher level of local government after a long break.

### **5.3 Leverage: Financial and Non-Financial**

The impact of funds from AusAID has been strengthened by strategically leveraging Bank lending and co-financing from bilateral and multilateral partners. This includes co-financing from the Government of Pakistan, The World Bank, SDC, SIDA, DANIDA, JBIC, PHRD, DfID, GEF and ARTF. The last two are multi-donor consortiums. This has expanded the reach of the Facility. The \$ 2.87 million received so far has been augmented by an additional \$2.6 billion of Bank and donor funding. In Round 1 \$ .99m from AusAID has leveraged another \$ 1.6 billion of funding. In Round 2 \$ 1.39m leveraged \$5.77million and in Round 3 \$.49 another \$.410 million. This leveraging has been possible through contributing to project preparation for Bank lending, or through additional technical assistance and follow up activities and projects. The funds leveraged for each activity are in *Annex 2 Additional Funds Leveraged*.

The non-financial aspects of leverage are equally if not more vital. The Facility leverages not only Bank's lending but its procedures and process. This has deepened its impact at no cost and avoided duplication of efforts. It has built on Bank's working relationships and enabled sustained dialogue with clients and for Bank and AusAID to be partners at the table when far reaching reforms are being discussed. This has been the case with the technical assistance given to the constituent assembly committees in Nepal that are grappling with the transformation of the country into a federal polity. Within the Bank it has resulted in a new focus on decentralization, local governance and service delivery not only in SAR. The mainstreaming of decentralization, local governance and service delivery into the Bank's work program has resulted in the development of a regional strategy and a joint work program by the health, education and local governance sectors. The AusAID South Asia Decentralization Series of seminars has been built into a premier cross sectoral knowledge space on decentralization not only in the Bank and among think tanks and development partners in Washington DC and around the world. It also serves as a platform to showcase the work of the Facility. See *Annex 4 Announcing the AusAID-World Bank South Asia Decentralization* for the announcement of the latest presentation in the series by the new Ambassador of Nepal to the US. These are not insignificant impacts in the short period that the Facility has been operational.

## 5.4 Additionality

The Facility has allowed for activities to be taken up that were not initially contemplated. The

### **Box 3: From SUTP to UMTAs**

The 74<sup>th</sup> amendment of the Indian constitution that in 1993 decentralized power to urban local governments included urban transport as an important sector for decentralization. In metropolitan areas with multiple local governments several agencies are involved in urban transport. Effective mechanisms for coordination among the fragmented, and sometimes overlapping jurisdictions of national, state and several municipal actors in metro are not in place. The National Urban Transport Policy 2006 called for the establishment of “Unified Metropolitan Transport Authorities (UMTAs)” in all metro regions with one-million plus population, for coordinated and effective planning and implementation of urban transport. No framework was however provided for constituting UMTAs. A few cities designated UMTAs, but these were at best consultative committees at the state level with insignificant representation from cities in the metro region. The proposal funded by the Facility was to piggyback on the Bank’s policy dialogue for SUTP to support the development of a detailed policy framework and implementation plan for setting up UMTAs in 2 metros from among the 9 demonstration metros participating in the project.

TTL for the Bank funded Sustainable Urban Transport Project (SUTP) that is funding the implementation of environment friendly transport projects in 9 metropolitan cities in India was able to add on a component that had not been originally envisaged. The details are in **Box 3**.

## 5.5 Increase of Scope

The scope of Bank’s activities and lending has been increased through the ability to tap into the Facility. In the Punjab province of Pakistan the Bank has been engaged in providing technical assistance for tax reforms. The Facility enabled this engagement to be extended to the administration of property tax decentralization. This looked at how the reforms would be implemented on the ground and designed a training program for tax administrators. In India the Bank has been engaged in policy dialogue for supporting reform of secondary education. The TTL tapped into the Facility to take this engagement to a new level by the first administration in South Asia of the OECD’s PISA. For the first time 10,000 secondary students will take the assessment test to compare educational outcomes in India against students in other countries. **Box 4** gives details pertaining to this activity.

In Bangladesh the Bank has been supporting through the Local Governance Support Project (LGSP) unconditional grants to the lowest tier of local governments the Union Parishads. The Facility has funded the training of NGOs for the first social audits of the performance of local governments. In Bhutan the Bank's work on poverty indicators is being expanded to developing indicators at the local level based on poverty and need for basic services. These indicators would

#### **Box 4: Extending the PISA to South Asia**

The Programme for International Student Assessment (PISA) is an internationally standardized assessment developed by the OECD. It is administered to 15-year-olds in schools to assess their reading, mathematical and scientific literacy, not merely in terms of mastery of curriculum, but in terms of the knowledge and skills needed in adult life. The tests are typically administered to between 4,500 and 10,000 students in a country. Secondary students in 66 countries are being assessed in 2009. The Facility was tapped into by the TTL to introduce the test for the first time in India and in the South Asia Region. The availability of these funds was instrumental in convincing the Ministry of Education to agree to this testing. The Australian Council for Education Research (ACER) an independent non-profit body with an international reputation in assessment and reporting especially of the PISA is to administer the test in India a MoU has been signed between OECD and the Government of India in September, 2009. The AusAID Counsellor for Development Cooperation, South Asia and the Country Manager for India were present for the signing.

be used to allocate funds to the local governments.

## **5.6 New Areas of Engagement**

The Facility is looking at new areas of engagement to both deepen and widen its impact. Among ideas being considered is building a research program in partnership with local institutes, on issues of decentralization, local governance and service delivery in the region. South-South learning and knowledge exchanges especially between Africa and South Asia regions are also of interest.

## **6. Partnership with AusAID**

The meetings between the SARVP and the AusAID Director General and Deputy Director General for Asia in December 2008 were helpful in strengthening this partnership. It is important that such exchanges on issues of strategic importance continue on a regular basis. To fully realize

the promise of this multi-sectoral Facility, similar exchanges need to take place at the level of regional and sectoral teams. The program manager and administrator meet with the Counsellor Development Cooperation, South Asia, AusAID and the Country Manager for India on an annual basis to review the progress of the Facility. A broader engagement at the sectoral level would deepen the impact of the Facility. At the annual review meeting in September 2009, both sides expressed interest in fostering such an exchange. It was agreed to raise the profile of the Facility, through an annual event (seminar/workshop) in the region and to invite senior managers from the Bank and AusAID.

To ensure attribution of work funded by the Facility to AusAID and to maintain Australian identity, TTLs have been asked to acknowledge the contribution of AusAID on all final reports and at workshops and seminars funded by the Facility. They have also been asked to brief concerned AusAID country managers on activities being funded. In India TTLs of the West Bengal Power Sector Reforms and the Secondary Education work met the AusAID Development Cooperation for South Asia, Mark Bailey and Gopal Menon, Country Manager for India and apprised them. These briefings are set to continue.

## **7. Future**

The partnership with AusAID has been invaluable in enabling a focus on policy dialogue, advocacy, design, implementation and monitoring and evaluation, for facilitating policy and institutional reforms around decentralization and service delivery. It has brought global thinking on issues to clients and to weigh the policy and institutional options available when pursuing reforms.

The Facility is now in the third year of its five year operational life. A mid-term review of the performance is to be undertaken. If the impact of the Facility is to be sustained its corpus has to be increased and its timeframe expanded in the near future, based on the growth of Australian ODA and evolving strategic priorities in the region.