



Independent Review of the COVID-19 Economic Response Package - Management Response

With the goal of supporting a stable, prosperous, and secure Pacific in the wake of COVID-19, the COVID-19 Economic Response Package was created as a two-year (2020-21 and 2021-22) collaborative program that disbursed AUD274 million in COVID-19 budget financing and support to nine Pacific Island Countries (PICs) and Timor-Leste. The Package built on an initial AUD100 million immediate response package to the region.

An independent review of the Response Package was finalised in June 2022 to assess progress with a view to informing the next iteration of the Response Package and broader direct financing activities.

Of the 15 recommendations, the Department of Foreign Affairs and Trade agrees with 13 recommendations and partially agrees with 2 recommendations. Many of the recommendations are being actioned as part of the re-design process of the next phase of the Response Package.

Budget Support as a Modality

Recommendations	OTP Response	Action Plan
<p>1. Budget support is an efficient and effective modality for DFAT’s crisis response in the Pacific and Timor-Leste and should be considered as a central modality in future crisis response packages.</p> <p>OTP Executive should include budget support as a core part of future crisis responses, including consideration of contingency funding and negotiation of agreements about access to direct financing in the context of a future economic shock or natural disaster. This requires OTP to identify regional fiscal risks (including economic and fiscal costs), develop an assessment of existing development budgets by country and where there is potential for creating some fiscal space from existing allocations and where there may be future calls on the budget (contingent liabilities associated with support to the region).</p>	Partially Agree	<p>DFAT agrees that budget support is an important modality for responding to crises, particularly where there are economic and fiscal impacts on partner government ability to maintain service delivery and minimise socioeconomic impacts on households and communities.</p> <p>Any crisis response needs to be tailored to the context. As highlighted in the review, COVID-19 had a more adverse impact on women and some budget support mechanisms were not especially effective at reaching and supporting women. While budget support mechanisms may evolve over time, DFAT will consider a range of modalities in crisis responses to promote gender equality and reach vulnerable populations. While contingency funds are useful during a crisis – their maintenance does come at the cost of effective and efficient programming of bilateral and regional funds in a given year. DFAT will continue to utilise budget support as an important modality for supporting economic recovery in the region throughout 2022-23 and is considering options for future support.</p>

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		<p>OTP undertakes economic and fiscal assessments of Pacific Island countries. These processes will continue, and together with Assessment of National Systems where available, will inform bilateral development strategies and the utilisation of budget support within development portfolios.</p> <p>Action: DFAT is developing a budget support framework that will consider the strategic importance of budget support in overall development assistance and particularly for crisis responses.</p>
<p>2. DFAT should consider the use of budget support more widely and conduct a needs assessment of its capacity to design, implement, manage, and monitor multi-year budget support operations.</p> <p>The needs assessment would include but not be limited to: requirements to establish a budget support policy framework that guides decisions about when, where, and how budget support should be considered; steps to strengthen the risk management framework, including adequate resourcing for coordination, training and support of risk management at posts; investment in additional capacity in public finance and economics to support future budget support investments; adequate training for staff at posts (both A-based and LES) in how to manage and monitor budget support operations; changes to institutional arrangements including dedicated deployments and postings that encourage staff development.</p>	<p>Agree</p>	<p>DFAT agrees with the recommendation to consider greater use of budget support, enabled by stronger expertise across the department.</p> <p>DFAT is developing a budget support framework which will include an assessment of capability and plan to build that capability, including gender responsive budgeting, to design, implement and monitor multi-year budget support operations.</p> <p>Pending available resources, DFAT supports in principle the strengthening of budget support expertise and capacity in Canberra and at our overseas Posts (both A-based and LES) to manage budget support operations.</p> <p>Action: DFAT's draft budget support framework will assess capability to design, implement, manage, and monitor multi-year budget support operations, including gender responsive budget support operations. A capability plan will then be drafted to guide future resourcing needs.</p>
<p>3. Invest in skills and resourcing to promote gender equality outcomes through policy reforms linked to budget support.</p> <p>Achieving Gender Equality, Disability and Social Inclusion (GEDSI) outcomes through budget support is challenging and requires significant effort and commitment from DFAT. Appropriate resources and people with the necessary experience who are included as core elements of any Package implementation team is crucial. Reforms proposed need to be realistic and achievable, based on clear evidence of what will have the greatest impact. This needs to be an integral part of on-going policy dialogue so that DFAT and partner governments are better prepared when designing emergency responses.</p>	<p>Agree</p>	<p>DFAT supports this recommendation. OTP works cooperatively with DFAT's gender equality teams on the development of budget support investment through country annexes to examine options for the promotion of GEDSI.</p> <p>The Response Package team will continue to work with the DFAT Gender Equality Branch, Pacific Gender Section, and the Disability, Indigenous and Social Inclusion Section to develop realistic and achievable activities that promote GEDSI outcomes. In the first instance this will include cooperatively revising the Response Package Gender Equality and Disability Strategy to incorporate lessons from the Review. The Response Package now has access to dedicated gender equality advisers and, through the Pacific Recovery Economic Support program, can undertake gender analysis to inform policy approaches.</p>

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		Action: EPS/OTP to revise the Program Design and Response Package Gender Equality and Disability Strategy, to ensure lessons from the Review are incorporated into any future Response Packages or support. The design will be informed by a gender analysis of DFAT budget support and seek to make gender equality a principal or significant objective of any future package. The budget support framework will further consider the skills and resourcing required to promote gender equality outcomes through policy reforms linked to budget support.
<p>4. Ensure designs for emergency responses adopt realistic outcomes that reflect the nature of the investment, particularly in the context of budget support as the main mode of support.</p> <p>It is important that outcomes reflect the context when Australia is contemplating temporary or one-off budget support investments as a response to a crisis or shock. Results need to be assessable, implying a baseline can be established with existing data and updated periodically using existing systems or with minimal additions or upgrades.</p>	Agree	<p>The early stages of the COVID-19 pandemic were characterised by high levels of uncertainty about how COVID-19 would impact the Pacific and Timor Leste. While the design for the Response Package was intentionally flexible, judgements about expected outcomes can only be made on the existing evidence at a particular date. The fluid impact of COVID-19 on the Pacific meant that regular reporting arrangements were not available. DFAT agrees the use of existing baseline data is particularly useful to measure impacts resulting from a crisis where other means of reporting are not available.</p> <p>Action: OTP to consider potential activity outcomes within the development of country annexes prior to future Response Packages or other OTP budget support. Absorptive capacity will be considered in the development of potential activities and how this may impact predicted outcomes. The country annexes will include information on who is responsible for the monitoring and evaluation data collection and who is responsible for the analysis of output/outcome data. OTP will also revise the program design sections relating to Performance and Assessment Framework and approach to monitoring and evaluation to include specific baseline data.</p>

Design

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<p>5. Future designs of a crisis response package need to carefully consider how Non-Government Organisations (NGOs), Civil Society Organisations (CSOs) and peak bodies can support the wider policy response to the crisis, including Australia's budget support operations.</p>	Partially agree	DFAT recognises that CSOs and NGOs are sometimes the only providers of services to populations, both in times of crises and in normal times, and often have access to information about the impacts of shocks on crises on communities and households. Disruptions to the services NGOs and CSOs provide for sexual and reproductive health and survivors of violence can have

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<p>Small but strategically targeted investments in non-government partners and their programs can make big contributions to how well partner governments and Australia understands the impacts of a shock as well as the efficacy of responses. Particularly where normal systems and processes are disrupted as was the case during the pandemic. In addition, shocks create opportunities to pilot new approaches.</p>		<p>long-term ramifications, hindering the ability of other response measures to take effect.</p> <p>Whilst the primary focus of the Response Package was to work through partner governments, the Package also allowed for work with other partners, including where appropriate, NGOs and CSOs, and in-line with the objectives of the Response Package. Due to the constrained timeframes, the Response Package utilised NGOs and CSOs that were already, or previously, part of an existing program to ensure funds could be utilised while maintaining appropriate fiduciary risk levels.</p> <p>DFAT agrees that, where timing and capability allows, NGOs and CSOs should be included in policy responses to the crisis and also in budget support operations, particularly in creating platforms for their involvement in policy reform dialogue aligned to budget support.</p> <p>Action: EPS/OTP will consider the possibility of policy dialogue with CSOs and possible enhanced engagement and/or funding. This will be considered in Response Package country annexes in 2022/23.</p>

Implementation

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<p>6. For future crisis response packages for the Pacific and Timor-Leste, take steps to adequately resource coordination and support functions.</p> <p>In future responses of this kind DFAT should ensure adequate resources are allocated to ensure strong engagement between Canberra and posts on concepts and designs, specialist inputs on issues such as sectoral policy and GEDSI and sufficient resources to monitor and evaluate progress of investments. Incentives for staff to take up these roles which could include recognition, professional development and relevant posting opportunities should be considered. While the budget for this Package was not entirely spent, it is important for future responses that coordination and support is not under-funded as a result. An allocation of at least 2.5 per cent to 5 per cent of the total funds (in this case \$7.5 million to \$15 million) is appropriate.</p>	Agree	<p>DFAT recognises the important role that resourcing (including access to specialist advice), and support functions have in managing efficient and effective development programs in the Pacific. In times of crises, staff at Post are often stretched and require additional support to manage additional funds.</p> <p>Action: OTP has established the Pacific Recovery Economic Support program to provide coordinated support unit functions and enable access to specialist advice for the Response Package. OTP will include funding for specific support unit and specialist advice in future response packages. The development of a budget support framework will provide further opportunity to consider the skill requirements and funding necessary to support future crisis response packages.</p>
<p>7. Future responses of this kind should consider the need for additional resources at posts and where appropriate in Canberra (supporting posts) to deliver budget support operations.</p>	Agree	<p>OTP will consider a rapid deployment approach to support crisis budget support operations through the development of a budget support framework.</p>

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Budget support operations are complex and the analysis, design and engagement with partner governments takes dedicated resources and specialist skills. It is very different to program management. For a crisis response, deploying additional resources to posts to either manage investments or to free up existing A-based staff from other duties should be considered. Assessments should also be made in each post what LES and contracted resources with appropriate skills are in place (prior to a crisis) and how they could be deployed or redeployed to support scaled up budget support operations.		Action: Within a future Package or support, OTP will look to additional resourcing to selected Posts to support the design, management, and implementation of the extended package.

Performance Management and Monitoring

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<p>8. To enhance accountability DFAT should complete and publish reports on what the aims of the country level investments were (from country annexes) and the outcomes in each country.</p> <p>In line with good practice, it is important that DFAT provide clear and easy to access public reports that allow easy comparison of what was planned as outlined in the country annexes and what actually happened. This will help to build confidence in the process and wider understanding about how Australia's direct funding support to the region was used by partner countries.</p>	Agree	<p>OTP is committed to high standards of transparency in reporting on the international development program. Transparency promotes effective decision-making, public accountability, and lasting change.</p> <p>OTP will consider how to follow up on outcomes reporting on the country annexes. Pending available resources, OTP supports publishing results by country, but considers a publication in 2023 may be more appropriate to allow the full round of reporting to be included. This is primarily due to some countries following calendar year as the financial year. The review noted the challenge of available data and reporting – a large element of this is the known reporting lags following activity implementation in partner government systems.</p> <p>Action: OTP will publish the Independent Report on COVID-19 Response Package. Through the annual Tier 2 reporting process, OTP will report publicly on budget support operations by country. OTP will also publish a report on results and outcomes in late 2023.</p>
<p>9. Improve access to baseline economic and social data in the region, including through agreements with partner governments to share data from their FMIS and program level MIS.</p> <p>This should initially focus on two key areas: i) <i>Invest in DFAT consolidated data systems</i> to help DFAT analysts spend more time analysing and less time collecting data. Project M&E systems should then be built around existing databases; ii) <i>Future program designs should generally require M&E systems draw on existing databases first</i> before establishing M&E performance measures that have no existing systems or baseline data.</p>	Agree	<p>Data availability is inconsistent in the Pacific, and DFAT is supporting greater data collection and analysis through bilateral and regional investments in statistics. This includes partnerships with National Statistics Offices, The Pacific Community and with the World Bank.</p> <p>Action: OTP to explore options to share bespoke data collected via general or sector budget support operations or project specific M&E systems, including with regional data hubs. Ultimately, partner governments will decide on the level of data they are willing and able to provide.</p>

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<p>10. Analysis of partner government policy, programs and systems should be strengthened, with more specialist expertise in-house in economic and fiscal policy, and public financial management.</p> <p>Budget support and more frequent use of partner systems means much more detailed knowledge of how policy is made, how it is funded, how it is implemented and where data can be found to monitor outcomes. The Country Economic and Fiscal Analysis (CEFA) work was excellent. It needs to be expanded and made routine so that it can better inform future decisions on crisis responses but also on budget support operations more generally. The process also needs to be widened to include more engagement between posts and Canberra to identify analytical gaps and plans to fill them. Starting with the current CEFAs, an assessment should be made of analytical priorities, who can do the analysis and when.</p>	<p>Agree</p>	<p>OTP economics biannually update the CEFAs in conjunction with desks and posts. This is a formalised process with traction from all stakeholders.</p> <p>DFAT acknowledges the need to better understand partner systems. OTP economics recently commissioned work aimed at developing a picture of the trajectory of Public Financial Management in the Pacific to inform future budget support programming. This will feed into the CEFAs.</p> <p>Action: OTP economics to consider how the CEFAs can be formulated to better inform future decisions on crisis responses but also on budget support operations more generally. OTP economics, in conjunction with the PRES team lead, will consider how best to identify analytical gaps and plans to fill them, potentially as part of the established CEFA engagement strategy with desks and Posts.</p>

Gender Equality and Disability Inclusion

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<p>11. Ensure that GEDSI is resourced adequately and early enough in future emergency responses.</p> <p>Practical consideration needs to be given to how GEDSI outcomes can be achieved within the context of a crisis response. A balance is needed between providing funding through budget support for sectoral programs and using the crisis as an opportunity to fund pilots and innovations to identify and include people living with disabilities and challenge harmful gender norms. Where fiscal imperatives allow it, DFAT should consider using budget support, alongside core funding for CSOs, to leverage investments that make sure that lessons from pilots that promote gender equality and disability inclusion are fed back into government policy, programs, and operations. As a starting point GEDSI should be explicitly included in the CEFAs. Response package designs should be required to clearly address not only what resources are needed for GEDSI outcomes in crisis responses, but how resources will be sourced before approval is given by the DFAT Executive.</p>	<p>Agree</p>	<p>DFAT supports this recommendation. During a crisis response, the speed of delivery is fundamental. Whilst a program may have sufficient funding available to engage GEDSI resources, the availability of quality technical expertise in this area can be a limiting factor.</p> <p>Budget support operations provide opportunities for leveraging reforms on GEDSI, including through multi-donor joint policy reform matrices. Greater GEDSI expertise will enable greater engagement and influence on reforms.</p> <p>Action: OTP has produced a “lessons learned - gender in budget support” paper that was presented to around 150 DFAT staff. OTP to consider the skills and resourcing required to promote GEDSI outcomes (including inclusion in CEFA assessments through policy reforms linked to budget support through the development of a budget support framework. If required, PRES can provide technical assistance to strengthen the skills and resourcing necessary to promote GEDSI.</p>

Service Delivery

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<p>12. Invest in sectoral expertise that supports future sector budget support.</p> <p>The use of sector or targeted budget support requires very detailed knowledge of both the behaviour of targeted beneficiaries and the functioning of existing systems. The effectiveness of future sector budget support investments will depend on how well DFAT can define the target recipients – for example, users of health and education services - and understand what constrains them from accessing services, particularly during a crisis. Viewing budget support (whether general or sectoral) as part of the broader in-country program will enable DFAT to tap into expertise and build on experience. Guided by the needs assessment in Recommendation 2.</p>	<p>Agree</p>	<p>DFAT is developing a budget support framework which will include references to an assessment of capacity to design, implement and monitor multi-year budget support operations.</p> <p>Pending available resources, OTP supports in principle the strengthening of budget support expertise and capacity in Canberra and at our overseas Posts (both A-based and LES) to manage budget support operations. Recognising the diversity across the Pacific region, OTP will need to have proportional and realistic expectations of what can be achieved. DFAT recognises that service delivery and sector budget support needs to be managed as part of broader development cooperation, such that DFAT investments in economic reform and governance are understanding constraints to service delivery (such as HR, IT, PFM systems or decentralisation policies), and budget support can be leveraged for reforms that address those constraints.</p> <p>Action: OTP to consider strategic importance of budget support in overall development assistance and assess capacity to design, implement, manage, and monitor multi-year budget support operations through the development of a budget support framework ('Fiscal and Budget Support Design Framework').</p>
<p>13. Use budget support as an opportunity to open dialogue about the importance of good quality and accessible health and education services to building future fiscal resilience.</p> <p>Any crisis provides opportunities to engage with partner governments on issues where it has previously been difficult to gain traction. Budget support also offers an incentive for partner governments to listen to alternative ideas and approaches, thereby avoiding the risk of reverting to business-as-usual post-crisis. Through this policy dialogue, DFAT programs can illustrate the importance of building human capital as the foundation for resilience to future shocks. An integrated program approach can promote the principle that health and education are essential investments in future macro-fiscal stability.</p>	<p>Agree</p>	<p>OTP supports open dialogue with partner governments on the importance of good quality and accessible health and education services to building future fiscal resilience. In many countries, DFAT is the lead development partner supporting investments in health and education systems.</p> <p>OTP will support program areas by setting clear expectations around broader portfolio priorities for health and education, that will be considered in budget support interventions. This will include both sector budget support and identifying key cross-sectoral challenges that can be addressed via general budget support -incentivised reforms</p> <p>Action: OTP will refine the country annexes to incorporate opportunities to open dialogue about the importance of good quality and accessible health and education services to building future fiscal resilience.</p>

Social Protection

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<p>14. Use the impetus provided by COVID-19 to expand inclusive life-course social protection policies.</p> <p>Building on the achievements of the Response Package and on DFAT's previous and ongoing support to social protection in the region, DFAT should continue to advocate for, and where necessary provide financial support to, the progressive introduction and scale-up of inclusive social assistance programs to tackle vulnerabilities throughout the life-course.</p>	<p>Agree</p>	<p>Poverty, hardship, and inequality are widespread in the Pacific region, compounded by migration, urbanisation, harmful social norms, natural disasters, and climate change. While several countries in the region have some form of government funded social protection in place and expenditure has increased over the past decade, there remain significant gaps and challenges in schemes available for poor and vulnerable populations, in particular coverage for women, children, and those working in informal sectors. COVID-19 has highlighted the importance of social protection to both mitigate the risks of economic insecurity and negative coping strategies and its positive role in addressing life-course vulnerabilities, generating economic growth and building resilience.</p> <p>Action: OTP will continue to provide technical advice and financial support for the progressive introduction and scale up of inclusive social protection in the region, with a focus on government-led social assistance and universal programs. Recognising countries across the region face a challenging fiscal context, this change will be incremental, and done in collaboration with other development partners. DFAT's flagship regional social protection program, Partnerships for Social Protection, will continue to support governments in the region with high quality technical advice and programming support. Bilateral programs to consider the longer-term position of social protection in development portfolios and country development strategies, including in relation to budget support.</p>
<p>15. Strengthen the underlying systems to deliver life-course social protection.</p> <p>With its substantial experience, and through its new regional facility, Partnerships for Social Protection (P4SP) in the Pacific, DFAT is well-placed to provide technical assistance to strengthen the underlying systems for social protection, thereby both improving the effectiveness of core programs, and providing a robust platform for flexible response to the emergencies that will inevitably occur in Pacific countries.</p>	<p>Agree</p>	<p>Established in late 2021, Partnerships for Social Protection supports Pacific Island countries and Timor-Leste to respond to poverty, vulnerability, and economic and social exclusion by supporting sustainable developments to social protection systems with a focus on social assistance.</p> <p>Action: The program will continue to support Pacific Island and Timor-Leste governments to respond to identified gaps and bottlenecks including in policies, systems infrastructure, and budget, planning, and monitoring processes. The program will continue to contribute to increased knowledge, capabilities and networks of key personnel and institutions facilitate and build more evidence of the value of investing in social assistance in the region. P4SP's work will continue to complement and build on the work of national government priorities, DFAT priorities (both bilateral and thematic /regional) and those of other development partners.</p>

