

Final Independent Evaluation of the Pacific Fiscal Budget Support Package 2020-2023

The Department of Foreign Affairs and Trade (DFAT) thanks the Pacific COVID-19 Fiscal Budget Support (FBS) package independent evaluation team. The independent evaluation was commissioned by DFAT in mid-2023 and authored by Equity Economics. The evaluation assessed the effectiveness, efficiency, sustainability, gender equality and disability inclusion of the FBS across 12 countries: Fiji, Papua New Guinea (PNG), Tonga, Samoa, Solomon Islands, Vanuatu, Kiribati, Federated States of Micronesia (FSM), Republic of the Marshall Islands (RMI), Nauru, Tuvalu and Timor-Leste.

Overall the evaluation assessed FBS as effective, efficient and sustainable. Gender equality objectives were assessed as 'adequate' and disability equity objectives were assessed as 'less than adequate'. The evaluation found that the FBS made efficient use of time and resources. It also concluded:

FBS contributed to stability by injecting budget support at a critical time for maintaining economic confidence and financial stability across the Pacific region. In some instances, significant economic and social reforms were achieved. The FBS opened opportunities for policy dialogue, particularly where there were existing bilateral reform agendas or when Australia had existing mechanisms to build upon.

DFAT accepts the evaluation findings and agrees with the majority of recommendations. Several of the findings and recommendations are consistent with the 2022 mid-term review which were partially implemented in the remaining life of the FBS with resources available.

COVID-19 presented major difficulties and congratulations must go to the officers at post and partner Government that were core to this program achieving its objectives in the context of the uncertain and difficult operating environment.

This final independent evaluation was written in parallel to the design of a new direct financing fund to support Pacific's recovery and build on the results achieved by the FBS program. Many of the findings and recommendations of this evaluation have been integrated into those design processes, including findings on how to improve ultimate impacts for women and girls, diverse genders, people with disabilities and other socially marginalised groups. At the time of writing this management response, much of this design work was ongoing or pending.

In response to the evaluation recommendations, the following management response has been agreed and accepted by DFAT leadership.

DFAT's response to the independent evaluation: DFAT accepts the independent evaluation's findings and agrees or partially agrees with the evaluations 11 recommendations.

| # | Recommendation | Management Response |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Budget support should be considered as part of DFAT's development toolkit where appropriate. | Agree. Several Australian posts in the Pacific are in the process of designing or commencing a new range of direct financing packages to support ongoing recovery efforts. |
| 2. | DFAT should carefully consider the following preconditions to guide budget support allocation decisions alongside guidance provided in DFAT's Budget Support Framework Document, published 2023. <ul style="list-style-type: none"> - Post capacity to implement budget support with DFAT Canberra support; - Partner government commitment and capacity to engage with budget support, and to report and monitor (with DFAT if required); - Alignment with existing Australian investments, and - Alignment with multi-donor dialogues or other programs where appropriate. | Agree. Preconditions are necessary to ensure strong alignment of policy interests and incentives to ensure maximisation of development outcomes. |
| 3. | DFAT should build staff capability for budget support through: <ul style="list-style-type: none"> - Basic training on public financial management, risk and budget support for relevant Posted staff. - A better resourced PFM/macroeconomic unit within DFAT to support Posts manage and implement budget support and other related PFM reforms. - Investment in highly skilled local staff, who can play vital roles in budget support implementation and help overcome loss of knowledge through staff turnover. | <p>Partially agree. Ongoing discussions are continuing in relation to DFAT's broader 10-year Capability Building Framework.</p> <p>Public financial management and advanced budget analysis training is available for pre-posted officers and continues to be rolled out to Australian posts in the Pacific on an ongoing basis.</p> <p>OTP is also establishing a community of practice to support connection between DFAT and OTP's economic unit, upskilling of officers managing budget support programs, and support sharing of lessons between different development contexts.</p> |
| 4. | DFAT should continue to support a mix of general budget support and earmarked support and results of their ongoing implementation should be monitored closely to gauge effectiveness in different contexts. | Agree. Substantial results were achieved by FBS through both general budget support and earmarked funding. Retaining high degrees of flexibility is important to ensure interventions are suited |

| | | |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | to different Pacific contexts and to maximise the value and impacts of Australia's direct fiscal support. |
| 5. | DFAT should monitor fiduciary risks and broader risks pertaining to budget support more closely going forward. Assigning responsibility for activities to mitigate fiduciary risk at each Post is recommended. Maintenance of country-level risk and safeguard registers and regular political economy analyses should be considered. | Agree. All future direct financing interventions are to apply DFAT's new risk management policies which includes intervention-level risk and safeguard screening and maintenance of risk registers. The importance of political economy analysis is outlined in DFAT's Design Standards which apply to all future direct financing interventions. |
| 6. | DFAT should couple budget support with parallel support from other development programs and technical advice. | Agree. Harmonising and leveraging benefits from other development programs is critical to maintain results from future direct financing programs. |
| 7. | DFAT should work with multilaterals and other donors where they are already delivering budget support, noting there may be times when it is appropriate for Australia to unilaterally provide budget support. | Agree. Harmonising activities and policy dialogue with multilaterals and other donors providing budget support helps to improve development impact. Australia can also support partner Governments by supporting coordination mechanisms. |
| 8. | DFAT should implement budget support through multiyear commitments. Multiyear commitments would allow for greater forward planning, and it is recommended that more certainty is provided on the quantum of funds from year to year. | Partially agree. Australia recognises Pacific partners' preference for multi-year commitments to support budget planning, longer term reform agendas and stability but notes the need for multi-year commitments to remain subject to Australian annual budget approval processes and a number of country specific factors. |
| 9. | <p>To support GEDSI outcomes, the following actions by DFAT Posts are recommended:</p> <ul style="list-style-type: none"> - Consultation with women's groups, government ministries for women, and people with disabilities and their organisations at least annually to understand the impacts of budget support and bring these voices to policy dialogue with partner governments as appropriate. - Prioritising GEDSI in policy dialogue, identifying initial steps if needed (e.g. sex-disaggregated data) which can grow into larger efforts over time. In many countries, greater ambition is possible, informed by Post mapping partner government policy commitments (including use of material already available such as GEDSI Fast Facts, and where relevant, country-level GEDSI strategies and focal points). | Agree. These actions will be undertaken and monitored through the ongoing design and inception of new direct financing arrangements in a way that aligns with existing mechanisms and is non duplicative. |

| | | |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <ul style="list-style-type: none"> - Risk monitoring regularly with measures to address GEDSI risks (including failing to achieve GEDSI outcomes and/or causing harm). - Data disaggregated by sex and disability proactively raised with government partners at the outset, and discussing ways to support this as necessary. - Program objective and/or narrative around targeting 'vulnerable groups' is replaced with 'women and girls, diverse genders, people with disabilities and other socially marginalised groups' to prompt specific measures. - Earmarked/bilateral budget funding and technical assistance to support GEDSI outcomes explored, alongside strengthening policy dialogue with partner governments and multilaterals for advancing GEDSI. | |
| 10. | DFAT should implement stronger MEL requirements to continue to demonstrate the case for budget support and assess its contribution to desired outcomes. High quality country-level PAFs that are jointly agreed with partner governments are recommended for earmarked budget support. JPRMs can be effective mechanisms for general budget support but Posts need to be proactive in monitoring impacts on the ground. | Partially agree. All future ongoing direct financing investments will be guided by high quality performance assessment frameworks and MEL Plan with dedicated resources for monitoring and evaluation as per DFAT's Design and Monitoring, Evaluation and Learning Standard. |
| 11. | DFAT should keep open the options of designing and implementing budget support programs at both regional and bilateral levels. | Agree. DFAT agrees that future packages of direct budget support should be designed and implemented at posts. We also agree with the need to harness multi-country benefits, including policy guidance, technical support and lesson sharing which is best led by Canberra-based teams. We will continue to monitor. |