

# **INL082 - MULTILATERAL DEVELOPMENT BANK INFRASTRUCTURE ASSISTANCE PACKAGE (MDB-IAP) INDEPENDENT EVALUATION - MANAGEMENT RESPONSE**

## **Summary of management response**

The Annual Aid Evaluation Plan is a key part of DFAT's Aid Evaluation Policy, introduced in November 2016. The policy emphasises that evaluations should be commissioned and conducted to maximise the use of evaluation findings and recommendations to improve the effectiveness of the aid program.

This evaluation formed part of the 2018 Evaluation Plan and was commissioned in the penultimate year of the MDB-IAP program. The purpose of the evaluation was to consider the effectiveness of multilateral development banks as a tool for infrastructure development and inform a potential future investment.

DFAT thanks the independent evaluator for their review of the MDB-IAP investment. The review provided a balance assessment of the successes of the program, but also identified a number of areas for improvement in future Australian-funded multilateral bank infrastructure trust funds.

DFAT agrees with the evaluation's findings that MDB-IAP funded activities were effective in delivering against the program outcomes. MDB-IAP governance and administrative arrangements were sufficiently broad enough, or readily amendable, to adapt to changing Gol and MDB infrastructure priorities over the life of the program.

We note and agree with the recommendations to create a specific mechanism to include Australian priorities in project selection and delivery and the need for greater transparency in decision-making and the application of each partner's priorities in the decision-making process.

DFAT's Investment Design Summary for the MDB-IAP was conceived as a pooled investment combining trust funds with different multilateral banks into a single investment for financial competitiveness and performance-monitoring purposes. Whilst the review found evidence of this competition and reallocation of resources, it also flagged deficiencies in the pooled model relating to the challenges of comparing the performance of trust funds across different multilateral organisations.

Overall we accept the findings of the evaluation, however given the investment is currently due to complete in 2019 and is largely disbursed, we believe the most appropriate way to manage the finding of the evaluation is to incorporate them in the design of a future investment. As such, these findings have been shared with both the World Bank and the ADB and are forming part of our discussions for potential future trust fund investments.

## Individual management response to the recommendations

Recommendation	Response	Explanation	Action Plan	Time Frame / Responsibility
<p><u>Recommendation 1</u></p> <p><i>If DFAT is to provide future funding through Multilateral Development Banks Infrastructure Trust Funds, a minimum set of common governance arrangements, reporting requirements and overarching M&amp;E framework should be developed and implemented to enable performance to be assessed in a consistent and comparable manner across the multiple trust funds.</i></p>	Agree in Part	<p>Whilst we agree that strong governance, reporting and M&amp;E arrangements are essential to the good administration of multilateral trust funds, the need for these to be standardised across different trust funds and different institutions is only appropriate if both trust funds share the same goals and objectives. Our preferred model for future trust funds is to treat them as separate standalone investments with their own tailored governance, reporting and M&amp;E frameworks. These should be standardised as much as possible.</p>	<p>DFAT is currently considering the design of future infrastructure trust funds with a variety of partners including the World Bank and ADB. In the event that these investments proceed, each will include detailed governance, reporting and M&amp;E frameworks in their design.</p>	December 2018 / DFAT
<p><u>Recommendation 2</u></p> <p><i>Consistent with the establishment of a specific M&amp;E framework for the program if additional funding is to be provided through Multilateral Development Bank Infrastructure Trust Funds, specific operational-level outcomes and outputs should be identified, agreed and promulgated up front,</i></p>	Agree	<p>The MDB-IAP Investment Design Summary did not articulate a specific M&amp;E framework for the program and as such evaluation of each trust fund relied on each bank's internal evaluation systems and processes. Nevertheless we recognise given the pooled nature of this investment an overarching M&amp;E strategy would have enabled a clearer assessment of the</p>	<p>DFAT is currently considering the design of future infrastructure trust funds with a variety of partners including the World Bank and ADB. In the event that these investments proceed specific operational-level outcomes and outputs including the associated definitions for measuring and reporting success will be incorporated into their design.</p>	December 2018 / DFAT

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<i>including the associated definitions for measuring and reporting success.</i>		effectiveness of the investment		
<p><u>Recommendation 3</u></p> <p><i>A mechanism should be developed and implemented with MDBs that enables GoA priorities and emerging themes to be clearly incorporated in decision-making processes and project delivery activities.</i></p>	Agree in part	Although the original design did incorporate such a mechanism, this became ineffectual with the abolition of AusAID Sector strategies. We agree that such a mechanism is essential to the effectiveness of any future multilateral bank infrastructure trust funds, however given that the majority of funding under MDB-IAP has already been committed, we don't believe it is appropriate to modify the current management practices.	DFAT is currently considering the design of future infrastructure trust funds with a variety of partners including the World Bank and ADB. In the event that these investments proceed, the designs will incorporate a mechanism to allow annual priority setting by the Government of Australia, linked to Australia's Aid Investment Plan for Indonesia	December 2018 / DFAT
<p><u>Recommendation 4</u></p> <p><i>A set of selection and evaluation criteria for future MDB-IAP-funded activities should be developed that ensures consideration of key priority areas for the GoA. Consideration should also be given to sustainability criteria where it is known upfront that particular technical assistance is required for the</i></p>	Agree	Although all MDB-IAP activity proposals were subject to evaluation by the management committee which assessed their compliance with Australian priorities, we agree that this process could be more transparent and more clarity of the criteria used to select and evaluate activity proposals would be beneficial.	DFAT is currently considering the design of future infrastructure trust funds with a variety of partners including the World Bank and ADB. In the event that these investments proceed, DFAT will advocate for these partner-led designs to incorporate principles for project selection and evaluation and mechanisms for documenting the	December 2018 / DFAT

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<i>duration of a loan arrangement.</i>			assessment of activity proposals against these principles.	
<u>Recommendation 5</u> <i>A feedback mechanism should be developed to capture GoI feedback on MDB-IAP project selection and delivery to ensure future technical assistance activities are being funded under the most appropriate available modality of assistance.</i>	Agree	Although the current MDB-IAP governance arrangements provide such a mechanism as part of the Management Committee meetings, we agree that greater transparency of project selection and delivery would improve the effectiveness of the program.	DFAT is currently considering the design of future infrastructure trust funds with a variety of partners including the World Bank and ADB. In the event that these investments proceed, DFAT will advocate for these partner-led designs to incorporate a feedback mechanism for project selection and delivery.	December 2018 / DFAT