



## PERFORMANCE EVALUATION OF AUSTRALIA'S KEY ECONOMIC GROWTH PROGRAMS IN MYANMAR – MANAGEMENT RESPONSE

### 1.1. EVALUATION OBJECTIVE

In 2018, DFAT commissioned an independent evaluation of Australia's support to key economic growth programs in Myanmar. The purpose of the evaluation was to ensure that DFAT has credible and robust information on how its aid investments are performing. The two investments that the evaluation covered were Australia's support for private sector development (PSD) and public financial management (PFM).

Australia support to PSD in Myanmar is largely through the Investment Climate and Competitiveness Program (ICCP). The ICCP is co-funded with the United Kingdom's Department for International Development (DFID) and implemented by the International Finance Corporation (IFC). The ICCP runs from 2015 to June 2020. The ICCP supports the Government of Myanmar (GoM) and the private sector to improve the investment climate, competitiveness, and trade integration.

Australia's support for PFM reform is implemented by the World Bank and The Asia Foundation. Australia is working with the Myanmar Government to strengthen budgeting, revenue and planning to deliver more equitable services for all. This independent evaluation does not consider the work being undertaken by The Asia Foundation.

DFAT initiated an evaluation of its economic growth program in two parts.

1. The *first part* reviews the ICCP in terms of its delivery of intended outputs and outcomes.
2. The *second part* of the evaluation focuses specifically on the AIP objectives and the extent to which annual targets for PSD as well as PFM reform have been met.

The latter applies the results of a PFM evaluation that was commissioned by the United Kingdom's Department for International Development (DFID) in early 2018. Based on the findings and analyses, recommendations are made to DFAT on the implementation of the ICCP for the remaining two years as well as on the future program design and modality of Australia's investments in economic growth in Myanmar.

**Evaluation Completion Date:** April 2019

**Evaluator:** Mr Peter Jensen, PFM Specialist

### 1.2. DFAT'S RESPONSE TO THE EVALUATION REPORT

DFAT is satisfied with the quality of the evaluation. The evaluation sufficiently addresses the questions raised in the Terms of Reference (ToR) with a focus on effectiveness, efficiency and relevance. This evaluation provides DFAT with the necessary information to guide future economic development programs in Myanmar.

### 1.3. FULL MANAGEMENT RESPONSE TO EACH RECOMMENDATION

| Recommendation   | Response | Explanation and Action plan  |
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| <u>ON-GOING PROGRAM IMPLEMENTATION</u>   |          |  |
| 1. The IFC to develop a program logic for the ICCP based on a results framework/logframe – encompassing relevant impact-, outcome- and output-indicators – which will be monitored on a regular basis.   | Noted    | <p>If Australia supports a future phase of ICCP, DFAT will require, prior to approval, a program logic and/or detailed Theory of Change that specifies outputs, outcomes, risks and assumptions.</p> <p>Implementation is presently shaped and tracked through a Logical Framework. This Logframe has proved an insufficient approach for tracking progress against outcomes, but developing a new Logframe or program logic for the remaining year and endeavouring to retrofit current activities into this is an exercise of limited value.</p> |
| 2. The IFC to develop an outline of an ICCP program/portfolio management approach which is discussed at a quarterly meeting to ensure that the IFC, DFAT and DFID have an agreed and common understanding. This should include the role and tasks of the IFC's ICCP Coordinator, for example in the form of a short ToR. | Noted    | The 2018 ICCP Narrative Paper brings together the individual projects in ICCP up to the program-level. While short, it is proving adequate as a way of defining ICCP's program approach. DFAT is currently satisfied with the role of the ICCP Coordinator. Should this role evolve, changes will be reflected in a short ToR.   |
| 3. The IFC, DFAT and DFID to agree on a new reporting format for the ICCP quarterly forum that provides an adequate program-level overview, properly compares project-level plans with actual progress, and also include relevant financial data and gender aspects.   | Agreed   | Complete.  |

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| 4. DFAT to follow up vis-à-vis the IFC to ensure that the Gender Operations Officer is actively involved in relevant ICCP activities, including the quarterly meetings.   | Agreed | Complete.   |
| 5. DFAT to consider if and how, in the context of the ICCP, it can engage with and use the new Yangon-based Communications Officer.   | Agreed | Underway. DFAT notes increased engagement with and more products the IFC. DFAT will continue to work with the Communications Officer, through the ICCP coordinator, on specific products.   |
| 6. DFAT to consider how, based on the existing Administration Agreement with the World Bank Group, it can strengthen its relationship management vis-à-vis the IFC as regards the ICCP and vis-à-vis the World Bank as regards the Myanmar Partnership MDTF.              | Agree  | <p>There is no written agreement between the IFC and DFAT with respect to the implementation and governance of the ICCP. Rather the Administration Agreement (and Supplemental Agreement/Side Letter) between the World Bank Group and DFAT for the Myanmar Partnership MDTF outlines the governance arrangements for the MDTF. Changing MDTF governance arrangements requires consensus of several donors. This is a regular point of discussion at the MDTF Steering Committee Meetings, with all parties working together to leverage improvements.</p> <p>The next phase of ICCP will be the opportunity to strengthen the Administrative Agreement and governance arrangements with the IFC to reflect an arrangement that mutually benefits all partners.</p> |
| 7. DFAT and DFID to formally discuss with the IFC their expectations and requirements as regards branding, technical ad-hoc inputs (e.g. briefings) and information distribution (about events, tenders, etc.) as well as how donors are recognized on project materials. | Agreed | Complete. Donors now work closely with the ICCP Coordinator and the ICCP team members to better drive donor engagement and recognition.   |
| 8. DFAT to request the IFC to prepare a note on the capacity building approach used for the ICCP projects and   | Agreed | Underway.   |

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| the extent to which this meets the current requirements of GoM counterparts and project beneficiaries, so that corrective measures – if needed – can be agreed. The note could be presented and discussed at a quarterly meeting.  |        |  |
| 9. DFAT to consider if and how the functioning of the Myanmar Partnership MDTF Steering Committee can be strengthened so as to ensure a high-level and strategic focus as well as to avoid overlaps with the ICCP quarterly forum.   | Agree  | The Myanmar Partnership MDTF Steering Committee in its current form is providing limited strategic guidance and oversight to the ICCP. Primary guidance and oversight is provided by the IFC ICCP Coordinator. |
| <u>FUTURE PROGRAM DESIGN AND MODALITY</u>  |        |  |
| 10. Going forward, DFAT should, in addition to and/or instead of a multilateral partner, consider program delivery modalities such a managing contractor (to directly deliver activities in partnership with the GoM and other partners) and a reform fund (to provide funding on a case-by-case basis to specific initiatives). | Agreed | Underway. DFAT is investigating other program delivery modalities as part of our planning for future support to economic governance.   |
| 11. If DFAT decides to continue providing financial support directly to and via the World Bank Group, it should consider how it can strengthen the directive aspects of the relationship, including through a more elaborate agreement/side letter.  | Agreed | Should Australia support the World Bank Group beyond the current MDTF, DFAT will examine how best to strengthen governance arrangements and implementation.  |

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| 12. DFAT should continue providing support for PSD and PFM reform activities in areas where Australia has specific expertise and interests, including investment climate and aid-for-trade, and so as to take forward effective economic diplomacy initiatives.  | Agreed | One of the objectives of Australian aid to Myanmar is to promote inclusive economic growth and government management. Future programming will likely reinforce the achievements already delivered through PSD and PFM activities.  |
| 13. In determining performance benchmarks and other measures to assess the result of engagements, DFAT should ensure that targets selected are measurable and that implementing partners are able to provide regular updates on implementation progress.   | Agreed | Monitoring and collecting data on program performance is critical to ensuring effective and transparent use of Australian aid funds. Progress towards targets is now being better tracked through regular reporting. Our Performance Assessment Framework includes one ICCP objective. That is to <i>contribute to an improved business environment</i> with the outcome being <i>an improvement in Myanmar's Doing Business index and improved Corporate Governance</i> . We will work with the ICCP Coordinator to ensure evidence is collected. |
| 14. Given the significant differences in implementation achievement between the PSD and PFM engagements, DFAT should pay critical attention to the modalities recommended by the World Bank Group (bank-executed versus recipient-executed) in terms of which approach may be most beneficial in the specific context. | Agree  | Underway. We are carefully monitoring implementation of both PSD and PFM engagements. Learnings will assist in future programming decisions (see also response to recommendation 10).  |
| 15. DFAT should consider a program delivery set-up that includes different modalities, including a multilateral partner as well as a managing contractor (that can work directly with the GoM and other partners).   | Agreed | Agreed. See above and the Management Response to recommendation 11.  |

16. DFAT should consider monitoring more directly and proactively the work and functioning of implementing partners, including the planning and implementation of program/project processes, through Post as well as using external resources.

Noted

Program monitoring through internal and external reviews is a requirement of Australian aid. DFAT's investments are assessed annually. The fresh approach taken at the ICCP quarterly meetings and the revised quarterly reporting has improved program monitoring, implementation effectiveness and has enabled decision makers to adjustments to activity implementation based on evidence and progress towards objectives. The degree to which post staff can engage in detailed implementation will be shaped by available resources.