



Australian Government
AusAID

TOOL

Management Response Template

The Pacific Facility III Trust Fund (PF3) Independent Review Report MANAGEMENT RESPONSE

Initiative Summary

Initiative Name	The Pacific Facility III Trust Fund (PF3) Independent Review		
AidWorks initiative number	INI 976		
Commencement date	1 July 2005	Completion date	December 2014
Total Australian \$	A\$33.19 million		
Total other \$	NZ \$ 3.75 million		
Delivery organisation(s)	The World Bank		
Implementing partner(s)	The Australian Government; New Zealand Ministry of Foreign Affairs and Trade (NZMFAT)		
Country/Region	Pacific Region		
Primary sector	Economic and Policy		
Initiative objective/s	<ol style="list-style-type: none"> 1. Create an environment conducive to generating growth and employment opportunities for Pacific island countries 2. Promote development dialogue, stemming the decline in social indicators, and building the foundation for improved governance and sustained recovery in Papua New Guinea 3. Strengthen governance, service delivery, and employment generation in Timor-Leste and 4. Bring global practices to the Pacific Region. 		

Evaluation Summary

PF3 has been an integral part of the WB's operations, and these have been fully relevant to and aligned with the objectives of the Australia and New Zealand governments and the context, needs and priorities of Pacific Island and Papua New Guinea governments.

The original intention of the PF3 was to provide resources that were fully fungible with the WB's own resources for the Pacific, with all resources being allocated according to agreed priorities. In practice there have been limits to resource fungibility and these have constrained efficiency. The WB manages its Pacific operations well, and the establishment of new offices has enhanced performance, but there are still areas where more effective support could be provided in a context of thin implementation capacity. Overall however PF3 seems to be delivering value for money,

given that the WB's portfolio has at least trebled in scale while PF3 has increased core resources by about 40%.

The current partnership relationship between AusAID and WB is valued. However, care needs to be taken in ensuring that a balance is maintained between AusAID's desire for improved reporting and for additional earmarking of funds for sectors, and the need to maintain a collaborative partnership, avoiding the risk of creeping development of a managing contractor relationship.

Coordination with bilateral donors has generally been good, but this has been less true of coordination with regional agencies such as SPC and the Pacific Forum, and reporting to the donors has not been fully satisfactory.

The future relationship between Australia, New Zealand and the World Bank needs to ensure that all three partners in the Multi-Donor Trust Fund are equally fully informed and agreed on changes to the partnership.

Evaluation Objective: The ToR requested that the Review should focus on assessing and providing recommendations on: (i) the impact of the PF3 and of the WB's operations in the Pacific (including PNG); (ii) key difficulties or issues in the operation of the PF3, and options for resolving these difficulties or issues; (iii) the effectiveness of the PF3, including the effectiveness of: (a) the relationships between the WB, the donors (Australia and New Zealand) and the Pacific Island countries; and (b) the PF3's outcomes (including whether these outcomes have been achieved efficiently and delivered value for money); (iv) the relevance of the WB's work in the Pacific; and (v) options for a potential future phase of the facility. The IR team members were specifically asked not to include the Bank's work in Timor-Leste within the scope of their review, as this was not handled by the Pacific Division of the former AusAID at the time. This review therefore makes no comment on achievements under the third original objective of PF3, although this was included in PF3 financed activities during the early years of the Trust Fund

Evaluation Completion Date: 29 May 2012

Evaluation Team: David Potten and Graham Walter

Joint Australian Government/World Bank/NZ response to the specific recommendations made in the report

Recommendation	Response
1. The relationship between AusAID, New Zealand and the World Bank needs to ensure that all three partners in the Multi-Donor Trust Fund are equally fully informed and agreed on changes to the partnership.	Agree. Partners will inform and seek agreement from all Trust Fund partners on changes to the partnership.
2. Given the effectiveness of PF3 in inducing a scaling up of the WB's presence in the Pacific which is highly valued by Governments and donors alike, it would be highly undesirable for the current level of presence to be reduced, and thus it is recommended that at a minimum the recent levels of PF3 support should be retained (but see also recommendation 3 below).	Noted. Partners strongly support the premise of the recommendation (the World Bank's presence in the Pacific is highly valued), but will need relevant approvals in place before making financial commitments.

<p>3. It is recommended that the future WB program in the Pacific should be rebalanced. While preparation of new operations will remain important there should be greater relative emphasis on the effective implementation of the current portfolio. Effective implementation support might require increased presence in the Pacific Islands, and this could justify increased support from the PF3 donors to strengthen WB offices. The staffing and role of the liaison offices should be re-visited.</p>	<p>Agree. Partners agree to focus efforts on implementation of the World Bank's existing portfolio over the next 6-12 months. Consideration of new operations will be addressed in the design of PF4 and as part of the 'soft earmarks' proposed for large activities.</p>
<p>4. There are various options for possible change in both the diversity of funding instruments and the increasing complexity of PF3. The IR recommends that the use of AusAID Externally Funded Outputs (EFOs) in the Pacific be eliminated and that in the future equivalent resources should be channelled through PF3. "Soft earmarks" should only be retained for large activities, such as those agreed/proposed for the education and health sectors. It is not recommended that any "small" activities (below A\$1m in size perhaps) be explicitly earmarked.</p>	<p>Agree. Partners agree to adopt a 'soft earmarking' approach for large activities through PF4. This approach should be guided by development of a multiyear workplan and policy dialogue discussions. EFOs will be eliminated where possible, noting that there may be a need (from time to time) for the use of EFOs. Partners will endeavour to avoid this situation. Partners will also clarify what is meant (in practical terms) by 'soft earmarking' through the PF4 design process.</p>
<p>5. If recommendation 4 is accepted, and recognizing that the original PF3 objectives have already changed, and that the structure of PF3 is no longer uniquely providing core resources, there is a strong argument for developing a new PF4 rather than indefinitely continuing PF3. It is thus recommended that PF4 be established as soon as possible; this will allow the fund and modalities to be adjusted consistent with the new objectives and monitoring and reporting arrangements. Unused "soft-earmarked" PF3 resources will need to be rolled over into PF4 - the recent and currently proposed "soft earmarks" in PF3 have a life through to FY15. Bilateral donors and the WB recognize that commitments to support development in the Pacific are long term. The WB should expect to maintain its current (or an expanded) level of presence for at least the next ten years, and this would require a long term commitment by bilateral donors to keep the WB's resources above the level that could be expected to be allocated from Washington.</p>	<p>Agree. Partners intend to have a new funding arrangement for PF4 in place by 1 July 2013. Partners will work through transition arrangements for PF3/PF4 as part of the design process, noting that unused soft-earmarked resources will need to be rolled over into PF4.</p>

<p>6. Analytic and advisory activities (AAA) should be discussed in the six-monthly consultations between the WB and the donors; the WB should give a sympathetic hearing to AAA proposals that the donors consider should have high priority, and might otherwise have been directly supported through EFOs. However, this should be based on medium-term programming of AAA to ensure priorities are addressed and consistency across the WB Pacific programme maintained. It should include any major regional work such as Pacific Futures, and on other emerging issues. Coordination of AAA activities amongst donors and regional institutions needs to be maintained, and efforts made to avoid differing advice, although contestability should not be discouraged.</p>	<p>Agree. Partners will continue to discuss AAA activities in the six-monthly discussions, with sympathetic hearing given by the Bank to proposals that donors consider high priority (and might otherwise have been directly supported through EFOs – under PF4). Partners will also improve medium-term planning by sharing pipelines (where possible).</p>
<p>7. The WB needs to increase the use of seasoned permanent staff with global experience, in addition to using experienced Pacific based consultants. PF3 structures should thus not provide disincentives for the use of permanent staff, and there should be no restrictions on eligible expenditures.</p>	<p>Agree. Partners will not include caps on staff costs in the design of any PF4, noting the desire that the Bank increase the use of seasoned permanent staff with global experience in the Pacific. Note: partners did not place a staff cap on expenditure through PF3 in 2011-12.</p>
<p>8. The WB needs to improve its interaction and coordination with other Pacific agencies, particularly the Secretariat of the Pacific Community (SPC) and the Pacific Islands Forum Secretariat (PIFS). There are currently organizational reviews underway for both these organizations, and the WB will need to find improved ways of engaging with these organizations in the light of the results of the reviews.</p>	<p>Agree. Partners also encourage the Bank to coordinate closely with the Forum Fisheries Agency (FFA) on fisheries related activities.</p>
<p>9. Reporting by WB to AusAID and NZ needs to be improved. Annex 7 provides a suggested format for this. This format includes provision of a six-monthly update on the communications materials produced by the WB Sydney office. A results framework should be agreed, with a focus on outputs and outcomes, and subsequent reporting should be based on this framework. The results framework will need to include measures of portfolio quality, as these will partly reflect the performance of the WB in supporting implementation. The improved reporting should be provided in advance of the 6-monthly meetings to facilitate more effective joint consultation and decision making in line with a partnership.</p>	<p>Agree. Partners agree that improved reporting is an iterative process, they will 'learn by doing'. Partners will work to understand each other's respective reporting processes and timeframes. Partners agree on the need for a greater focus on results reporting without creating undue reporting burdens.</p>
<p>10. Wherever possible the WB should continue to invite representatives of the donors to participate in Concept Reviews for new operations and AAA activities.</p>	<p>Agree. Partners have found this process useful to date.</p>

