



South Asia Regional, India, Maldives and Bhutan Annual Program Performance Report 2011

June 2012

This report outlines the progress of Australian aid in the bilateral programs in Bhutan, India and the Maldives as well as the South Asia Regional program (which focuses on common regional and trans-boundary issues).¹ These programs have been combined into one annual program performance report (APPR) due to their individual small sizes. Separate APPRs have been prepared to cover Australian aid programs in Afghanistan, Bangladesh, Nepal, Pakistan and Sri Lanka.

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¹ South Asia includes all members of the South Asian Association for Regional Cooperation (SAARC): Afghanistan, Bhutan, Bangladesh, India, Nepal, Maldives, Pakistan and Sri Lanka.



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Context

South Asia has the largest number of poor people in the world. More than one billion people (75 per cent of the population) live on less than US\$2 a day. More than 600 million of these live in India. By percentage of population, Afghanistan, Bangladesh and Nepal face the greatest challenges of extreme poverty—all three are least developed countries.

Development progress in South Asia in 2011 was mixed. With sustained economic growth averaging 6 per cent over the last two decades, new opportunities are emerging. While there are more jobs and increased investment, growing prosperity has not been shared equally across the region. Despite an overall reduction in the number of absolute poor, disparities in wealth within and between countries are increasing. Large numbers of people are being left behind, particularly vulnerable groups who have suffered historical disadvantage such as women, children and ethnic minorities. Extreme poverty in rural areas and urban slums remains high, partly reflecting the region's rapid urbanisation.

Based on current trends, South Asian countries will achieve more than half of the Millennium Development Goals (MDGs) (Table 1), with Sri Lanka and Bhutan achieving the most progress. In 2011 the region had encouraging success in under-five mortality rates, school enrolments and improved gender equality in primary and secondary schools. However extreme poverty and hunger is the least achieved MDG across the region and challenges remain in areas such as child malnutrition, maternal mortality, school completion and literacy rates for girls, and water and sanitation.

Future progress faces considerable challenges. Development gains continue to be offset by large population growth, weak governance, rising food prices and the region's propensity for natural disasters. In 2011 major floods hit Pakistan affecting the livelihoods of hundreds of thousands of poor families and damaging earthquakes in Nepal and north east India. Political processes, state legitimacy and the rule of law remain fragile across South Asia, particularly in Afghanistan, Maldives, Nepal, and

Sri Lanka. Conflict, insurgencies and civil strife are chronic challenges that hit the poor and vulnerable hardest.

The impacts of climate change remain a serious long-term challenge. The combination of high poverty and high population density, particularly in largely agrarian societies, make South Asia significantly vulnerable. Shifts in monsoon rains and Himalayan glacial melt are increasing the uncertainty about regional water flows. Without significant investment in adaptation, climate change is predicted to decrease water availability, reduce agricultural productivity and potentially increase malnutrition.

South Asia is also the least integrated region in the world, as measured by low intra-regional trade levels.² In 2011 economic and diplomatic cooperation between India and Pakistan reached a new phase when bilateral discussion was resumed. Since then, a new joint integrated border check post has been opened and Pakistan granted India provisional Most Favoured Nation status, which infers liberalisation of trade between the countries.³ These moves are expected to lead to improved bilateral relations and prospects for regional economic cooperation. Other positive regional developments in 2011 include: Sri Lanka and India entering into a joint venture to produce electricity in the former; full implementation of the Afghan–Pakistan Transit Trade Agreement; a railway link connecting an inland container depot in Nepal to India; and developments in several cross-border energy projects involving India–Bhutan and India–Nepal.

Table 1: Tracking against MDGs in South Asia

	End poverty and hunger	Universal education	Gender equality	Child health	Maternal health	Combat HIV/AIDS	Environmental sustainability	Development Assistance Committee status* (January 2012)
Afghanistan	✗	✓	✗	✗	✓	✗	✗	LDC
Bangladesh	✗	✗	✓	✓	✗	✓	✗	LDC
Bhutan	✓	✓	✓	✓	✓	✓	✓	LDC
India	✗	✓	✓	✗	✗	✓	✗	LMI
Maldives	✗	✓	✗	✓	✗	✓	✗	UMI
Nepal	✗	✓	✓	✓	✓	✓	✗	LDC
Pakistan	✗	✗	✓	✓	✗	✓	✓	LMI
Sri Lanka	✗	✓	✓	✗	✓	✓	✓	LMI

Note: ✓ On track to meet MDG ✗ Not on track to meet MDG

*Organisation for Economic Co-operation and Development Development Assistance Committee (DAC) abbreviations: LDC (least developed country), OLI (other low income countries), LMI (lower middle income country), UMI (upper middle income country).

² Asian Development Bank (ADB) 2011, Asia Regional Integration Centre, www.aric.adb.org/indicator.php

³ India granted Pakistan Most Favoured Nation in 1996.



Australia's development investments in South Asia continue to grow. In 2011, Australia became the eighth largest donor in the region, with \$453 million (including all bilateral and regional flows). This is projected to increase to \$725 million in 2015–16.

Australia's aid targets poverty reduction and inclusive growth by helping countries to enhance access to basic education and health services, strengthen economic management and governance, provide humanitarian assistance, and support countries to respond effectively to climate change. Australia has also supported regional integration and cooperation, and has assisted countries in meeting infrastructure gaps in water supply and sanitation, energy and transport.

The largest of the traditional bilateral donors in South Asia are the United States (US\$4570 million) and Japan (US\$3380 million). India is the largest non-traditional donor, with a large part of its global development assistance budget of US\$656 million (2010–11) focused on Afghanistan, Bhutan and Nepal.⁴ In global terms, Afghanistan, India and Pakistan are in the top 10 aid recipient countries for flows in 2010, according to the World Bank.⁵

Finally, in 2011, the Australian Government launched a new aid policy *An Effective Aid Program for Australia: Making a Real Difference—Delivering real results*. The main implications for the four programs covered in this APPR are to: consolidate our development priorities; prepare for a modest budget increase; work through partners; improve outcomes reporting; formally track poor performing investments; and phase out bilateral aid to India.

India


India is home to a third of the world's poor. High and rising inequality, concentrated in seven of the country's lagging states, threatens sustainable poverty reduction. A rapidly growing population, increasing demand for energy and growing industrialisation are leading to a greater demand for water and, at the same time, higher levels of water pollution. Nutrition levels are worse in India than they are in sub-Saharan Africa, with only half the population having access to safe drinking water.

Inclusive and sustainable growth is at the centre of the Government of India's Eleventh Five Year Plan (2007–12). India aims to 'ensure broad-based improvement in the quality of the life of the people, especially the poor' through continued growth, increased employment opportunities and improved service delivery. Despite a slow-down following the global financial crisis, India's economy continues to grow at more than 5 per cent per year.

In July 2011 the Australian Government announced the phase out of bilateral aid to India in response to Effective Aid. This decision recognised that India has sought to reduce the number of donors and is itself becoming a donor. Australia's total official development assistance (ODA) to India in 2011–12 was \$22 million, with the \$6 million bilateral program by the Australian Agency for International Development (AusAID) being phased out by 2013. Cooperation will continue under our regional

⁴ This figure of \$656 million is from the Indian Ministry of Foreign Affairs. Estimates of India's global development assistance can be much higher when factoring in concessional loans and other forms of assistance.

⁵ Net ODA and official aid received (current US\$), World Bank Indicators 2010.



and global programs. As the major power in the region, India will be a key partner for Australia to advance regional development initiatives such as on climate change and regional integration. Australia will work with India in the South Asian Association for Regional Cooperation (SAARC) and the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC).

Bhutan

Poverty reduction is the main objective and theme of Bhutan's Tenth Five Year Plan (2008–13). Bhutan's development efforts focus on strengthening the economic and industrial sectors, integrating rural–urban development, expanding infrastructure, investing in human capital and improving the environment. These strategies also contribute to the Royal Government of Bhutan's plans to achieve gross national happiness. Bhutan's Eleventh Five Year Plan, with the revised goal of self-reliance and inclusive green socio-economic development, is scheduled to be drafted by the end of 2012.

Unique to South Asia, Bhutan is on-track to achieve all of the MDGs. Within several decades, Bhutan leaped from a low-performing barter economy to having the highest per capita gross domestic product in the region. While the Organisation for Economic Co-operation and Development still assesses Bhutan to be a least developed country, the World Bank re-categorised it in 2011 from a low-income to a lower middle-income country. The current five-year plan aims for an economic growth rate of 8 to 9 per cent per year, with an agricultural growth rate of more than 4 per cent and a non-agricultural growth rate of more than 10 per cent. The Royal Government aims to diversify the economy and generate employment through private sector growth, and provision of services to populations in rural and expanding urban areas. On the basis of sustained growth and substantial investments, the Royal Government's assessment is that income poverty will decline from 23.2 per cent in 2007 to less than 15 per cent by 2013. Under its Eleventh Five Year Plan, there is a target to reduce income poverty to less than 10 per cent by 2018.

Maldives

The Maldives attained South Asia's highest Human Development Index rating of 109 out of 187 countries and graduated from a least developed country status in January 2011.

However, the political and economic situation in the Maldives remains fragile and climate change poses a potential existential threat from rising sea levels. There is inequitable growth and widespread disparities in the delivery of basic social services. Clean water shortages are recurrent, infrastructure poor and unemployment levels high. The labour force lacks sufficient skills development. Under former President Nasheed, the Maldives implemented strict austerity measures to address the country's large fiscal imbalance and counter the negative effects of the global financial crisis on tourism. These measures, and rising food prices, contributed to significant protests in 2011. Political developments in early 2012 prompted more demonstrations and a transfer of power. The Maldives' nascent democracy requires ongoing support to consolidate independent and resilient governance systems.

Program objectives and strategy

Objectives

This 2011 APPR will report on four overarching objectives which cover the draft country strategies of the four programs. (Note: Formal AusAID strategies and objectives for these programs—except for India, which will be phased out—will be finalised in 2012.) The four overarching objectives for this APPR are:

1. Increase resilience to climate change, through improved water resource management, agriculture practices and broader adaptation efforts.
2. Promote sustainable and inclusive development in South Asia, through improved regional connectivity, better governance and enhanced service delivery.
3. Advance regional health outcomes, particularly by reducing HIV infections and malnutrition rates, improving maternal health and increasing access to water and sanitation.
4. Improve education outcomes and strengthen human resource development capacity in the Maldives and Bhutan.

Expenditure

The four country programs covered in this APPR total \$52 million collectively across the four objectives outlined above (Table 2). The South Asia Regional program is by far the largest of the four programs, at \$42 million.

Table 2: Estimated expenditure in 2011–12 (A\$ million)

Program overarching objectives	Regional	India	Bhutan	Maldives	A\$ million	% of programs
Objective 1: <i>Climate change</i>	8.08	3.33	0	0.50	11.91	23
Objective 2: <i>Sustainable development</i>	21.44	0.50	0	0.15	22.09	42
Objective 3: <i>Health</i>	12.15	0.89	0	0	13.04	25
Objective 4: <i>Education and human resource development</i>	0.35	0	3.09	1.82	5.26	10
TOTAL:	42.03	4.72	3.09	2.47	52.31	100

Figures in this table differ to the budget blue book, as this was produced at the conclusion of the 2011–12 financial year

Furthermore, in terms of AusAID's new core Agency-level objectives outlined in Effective Aid, the total expenditure across the four programs contribute to: Saving lives (25 per cent of the budget); Opportunities for all (12 per cent); Sustainable economic development (25 per cent); and Effective governance (38 per cent) (note: figures are approximates only).



Strategies

South Asia Regional program

The South Asia Regional program, with its multiple objectives across numerous sectors, began a strategic shift in 2011. In line with Effective Aid, the program is consolidating to focus on key trans-boundary issues (climate change and economic integration). For the period of this APPR, the program aimed to improve: adaptation to climate change; water resource management; infrastructure and regional connectivity; water and sanitation; maternal health; malnutrition rates; governments' responses to HIV; governance; and service delivery. The program continues to strengthen our major partnerships, particularly with the World Bank and the ADB.

India

In recognition of the small size of Australia's aid program to India, AusAID's draft country program strategy for 2010–13 emphasises Australian comparative advantage on climate change and agriculture. The strategy focuses on: enhanced technical cooperation in renewable energy in response to climate change; improved water resource management and increased food security in India in response to climate change; strengthened government response to the HIV epidemic in north east India; and enhanced delivery of basic services, focusing on water and sanitation and public health. Our bilateral aid (to be phased out by 2013) is delivered through multilateral partners, non-government organisations (NGOs) and public sector linkages. AusAID will continue to explore ways to support the Australia–India Strategic Partnership, including through the public sector linkages program.

Bhutan

In 2011 Australia continued to focus on increasing human resource development and strengthening educational institutions (including capacity building through training) in Bhutan. Australia also supports the expansion and sustainability of quality public services. Program delivery centres on Australian Awards, Public Sector Linkages Program (PSLP), and regional and global AusAID programs. Australia is preparing for a modest increase in assistance to Bhutan over the next four years. We will explore ways to support Bhutan's forthcoming Eleventh Five Year Plan of poverty reduction, private sector growth, human resource development, balanced regional development and the enhancement of information, communication and technology, while also adopting Effective Aid's recommendation to build a targeted and consolidated program.

Maldives

Australia's aid to the Maldives is aligned to the government's Five Year Strategic Action Plan. Our objective is to promote an environmentally resilient, democratic, and economically stable nation. The program aims to be inclusive with an emphasis on the outer regions (beyond Male) and vulnerable people who have missed out on the country's overall economic and social achievements. The program's priorities include: strengthening the education system; building public sector and civil society



capacities; and mitigating the impacts of climate change. Australia works closely with the United Nations (UN), World Bank, European Commission and NGOs.

Progress against objectives

To showcase the combined impact of Australian aid across the four programs covered in this APPR, Australia’s performance was judged against four overarching objectives (Table 3). This brings together Australia’s investments under common themes and enables comparisons to be made across programs. In the absence of Performance Assessment Frameworks for these four programs, this approach is the simplest way to present our progress. In some cases, performance was measured in terms of outputs as numerous projects only started in 2011.

Table 3: Ratings of the program’s progress towards the objectives (2011)

Objective	Current rating	Relative to previous rating
Objective 1: Increase resilience to climate change	■	Not applicable
Objective 2: Promote inclusive and sustainable development	■	Not applicable
Objective 3: Advance regional health outcomes	■	Not applicable
Objective 4: Improve education and human resource development	■	Not applicable

Note:


- The objective will be fully achieved within the timeframe of the strategy.
- The objective will be partly achieved within the timeframe of the strategy.
- The objective is unlikely to be achieved within the timeframe of the strategy.

Objective 1: Increase resilience to climate change

Australia supports South Asian countries at bilateral and regional levels to build resilience to the impacts of climate change. This focuses on improving water resource management, improving agriculture practises, increasing access to renewable energy and supporting government-led initiatives and mechanisms for adaptation and mitigation efforts. It also seeks to maximise Australia’s comparative advantage on environmental issues by using Australian experts and agencies. With 33 million people affected by flood or drought in the region in 2011 and most countries not on track to achieve the MDG on environmental sustainability, progress on climate change is vital for South Asia’s growth and stability.⁶

Progress against this objective was rated green, reflecting good results across three of the four programs. As part of our long-term strategy on water management in the South Asia Regional program, Australia has helped lay the foundation for increased regional cooperation by building the capacity of key national institutions, enhancing water knowledge and supporting the only trans-boundary water dialogue. We have also increased regional cooperation on climate change by conducting important seasonal forecasting and agricultural activities through the main regional organisations, simultaneously raising Australia’s profile in these forums. In India, we have used pilot studies to maximise our strategic impact on the renewable energy sector and are on track to boost agricultural productivity in Eastern India. However,

⁶ The Office of Foreign Disaster Assistance – Centre for Research on the Epidemiology of Disasters International Disaster Database (www.emdate.be).



faster progress is required in the Maldives—projects will be further slowed down by the change in government there.

South Asia Regional


Australia seeks **to improve trans-boundary water resource management**. More than 1 billion people, one in seven of the world's people, rely on the three major Himalayan Rivers of South Asia—Brahmaputra, Granges and Indus—that run through seven countries in the region (including China). Growing populations and economies are pressuring the finite waters resources. Effective management of these rivers is critical for social, political and economic stability, as well as sustainable development.

Notwithstanding the long-term nature of this challenge, promising steps were taken in 2011. The World Bank signed a US\$1 billion loan for the National Ganga River Basin Authority. The governments of India and Bangladesh signed a Framework Agreement on Cooperation and Development (September) which, among other priorities, called for enhanced efforts in cooperative water management. The Prime Minister of India's visit to Bangladesh in September was the closest both countries have come to signing an agreement on the Teesta River (11th-hour moves by the Indian state of West Bengal led to the Teesta Treaty not being signed). In November leaders at both the SAARC meetings and the Climate Summit for a Living Himalayas called for enhanced trans-boundary cooperation on water.

Australia's contribution to this progress is primarily through the World Bank-managed South Asia Water Initiative (SAWI), the only region-wide initiative promoting cooperation on trans-boundary waters. In 2011, SAWI focused on information sharing and knowledge-building. Achievements included drafting the flagship Strategic Assessment of the Ganges Basin, establishing a National Water Resources Knowledge Base for Nepal, releasing a good practices document on environmental practices in hydropower projects, and supporting the Ministry of Energy and Water in Afghanistan on investment prioritisation. A mid-2011 evaluation of the first phase indicated that SAWI was paving the way for better decision making on water issues and increased regional dialogue. For phase two, the evaluation recommended targeting individual river basins. AusAID is considering options to strengthen civil society and increase practical outcomes for poor people at basin level. We will complement this support in 2012 by bringing to Australia members of India's National Mission Clean Ganga Office.

AusAID's South Asia Regional program seeks **to improve adaptation to climate change and agricultural practices across South Asia**. A wide range of climate change impacts are anticipated or have already begun in the region, from accelerated glacial melt to sea level rise. Variations in weather patterns and rainfall can have serious consequences for agricultural production and helping people adapt their farming practices and methods to changing climatic conditions remains a major challenge. Australia is focusing support largely on water-related adaptation efforts. It is too early to assess impact against this objective.

Since late 2010, AusAID has initiated two multi-year projects through regional organisations, seeking to reinforce the importance of stronger cooperation on climate change issues and to promote Australia's environmental expertise among partner governments.

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1. The Australian Centre for International Agricultural Research (ACIAR), in collaboration with the Commonwealth Scientific and Industrial Research Organisation (CSIRO), are mid-way through a \$1 million agricultural training project in the SAARC Agriculture Centre. This also partners with the International Rice Research Institute, one of the centres of the Consultative Group on International Agricultural Research. Successful training workshops were held during 2011 on the use of cropping systems models, leading to a formal network of 20 researchers across the region. By sharing our farming expertise, Australia has raised its profile in SAARC and supported regional cooperation. A mid-term review of this project in June 2012 will assist AusAID to align future agriculture-related investments, and our work in SAARC, with our planned Regional strategy.
 2. CSIRO started a \$2-million project in 2011 with the IOR-ARC to improve access for farmers, agri-business and policy makers to climate forecasting tools. Seasonal climate forecasts that account for climate variability and climate change can support better agricultural decision making. The project is on track, with CSIRO having initiated linkages with counterparts in India and Sri Lanka and planning to implement activities in 2012–13. This project also represents Australia’s practical contribution on a common regional challenge ahead, with taking on the IOR-ARC Vice-Chair role in 2012 to 2014.

Under the AusAID - CSIRO Alliance, Australia also began support in mid-2011 for an adaptation project in Bangladesh to improve water resource knowledge and management. This complements Australian support for SAWI at regional level. The project will provide a comprehensive assessment on climate change impacts and human and environmental demands on water supply (including ground and surface). It will also propose management responses. The project has the full engagement of its five Bangladeshi partners, including the centrally placed Water Resources Planning Organization. AusAID is considering adopting the methodology used in this sub-basin to our investments at regional level, such as in the Ganges River Basin. Integrating our water investments, and working closely with donors such as the United Kingdom, will be a priority in 2012.

AusAID has also supported stronger international public sector linkages on adaptation efforts. In May 2011, Charles Sturt University began working with Pakistan’s University of Engineering and Technology to develop capacity on water resource management for irrigation planning and sustainable rural development. The Monash Sustainability Institute partnered with India’s Institute of Development Studies and Bangladesh’s Ministry of Environment and Forests on community-based adaptation in the Ganges River Basin.

India

Australia aims **to enhance technical cooperation on renewable energy and energy efficiency in India** in response to climate change. Access to energy, especially electricity, transforms lives for the better and drives economic development. More than 700 million people in developing Asia have no access to basic electricity. With increased use of renewable energy and improved energy efficiency it is possible to ensure access to energy while mitigating greenhouse gas emissions. As part of the AusAID–United Nations Development Program (UNDP) Climate Change Partnership



(\$3 million over three years from May 2011), AusAID is responding to Indian Government priorities as outlined in its National Action Plan on Climate Change. A pilot program to improve energy efficiency in the small-scale steel sector started in 2011, in cooperation with the Indian Ministry of Steel. Furthermore, collaboration between the CSIRO Energy Centre and the Energy and Resources Institute has developed the technology for a village coolroom using renewable energy for storing fruit and vegetables thereby reducing the high levels of spoilage and improving food security at village level. In 2011 this technology was tested and the site for the first pilot plant was identified. Construction will start in early 2012 and the activity's two commercial partners are expected to assist with technology take up.

Through PSLP, AusAID has partnered with the Australian Department of Climate Change and Energy Efficiency (DCCEE) to support the deployment of concentrating solar power systems in India. A May 2011 report jointly commissioned by the Indian Ministry of New and Renewable Resources and DCCEE consolidated the latest knowledge of concentrating solar power technologies globally and concluded that India has sufficient land for solar power to make a major contribution to its energy mix. The report was well received by the Secretary of the Indian Ministry of New and Renewable Resources who indicated the Ministry would adopt many of the recommendations. DCCEE's workshop on concentrating solar power was attended by more than 100 Indian researchers and government and industry representatives. Notwithstanding the phase out of AusAID's bilateral aid, building such linkages will be important as we continue to work with India on climate change through our South Asia Regional program.

Australia also supports Indian government initiatives to deal with climate change. AusAID helped two states—Madhya Pradesh and Jharkhand—implement action plans in renewable energy and water resource management. The State Government in Madhya Pradesh has responded positively to the planning process and is establishing a Climate Change Knowledge Centre with a significant commitment of its own funds. In partnership with the UNDP, AusAID will host an Australian study tour in early 2012 for key leaders from the National Administrative Academy to study how climate change training is conducted in Australia. This will help India mainstream climate change in its training for all civil servants.

Australia is also working **to increase food security in India** in response to climate change. With a growing population and increasing water and climate variability, India faces the challenge to grow more food with less water. Australia focuses its support on improving farm productivity in the Ganges Basin which covers 600 million people, although it is too early to judge impact. AusAID's \$2.5 million partnership with ACIAR in India over three years (2011–13) is improving the living standards of around 228 000 poor rural families across five states in the eastern plateau. This partnership is also helping to improve farming practices and crop diversification. The first phase remains on track. In 2011 work focused on recruiting and training an additional 40 field apprentices who will work with community groups to introduce better farming practices. This initiative has a strong gender focus, as it targets women's self-help groups and is helping to increase women's empowerment in agriculture. As AusAID's South Asia Regional strategy takes shape, Australia will continue to explore new ways to showcase our agricultural expertise as it relates to water conservation and climate change.



Australia is also building long-term public sector linkages on agriculture. Through PSLP, CSIRO is aiming to improve the prediction of agroforestry productivity and reclamation opportunities in shallow water table and salt-affected landscapes. In 2011 this project trained up to 10 public servants in India on field techniques and modelling approaches used in water balance studies to assess productivity and hydrology impacts for agroforestry and/or forestry species. Another PSLP activity with CSIRO in 2011 helped improve the accessibility and affordability of improved seeds from breeding programs to benefit large numbers of smallholder tree farms and rural communities in Tamil Nadu and Puducherry. This has led to the establishment of two community-based seed production distribution hubs, and a network of farmers, community leaders and forestry officials who have been trained in establishment techniques for the production of genetically improved seeds.

Australia also seeks to strengthen the capacity of communities to adapt to climate change through **improved water management in India**. Through our partnership with the UNDP, community-based adaptation activities (including water resource mapping and climate and disaster related vulnerability assessments) have targeted a flood-prone area of Orissa and the drought-vulnerable region of Madhya Pradesh. Pilot activities started in early 2011 but it is too early to assess impact. With funding under the PSLP, Melbourne University is working with the Central Soil Salinity Research Institute and the Punjab Agricultural University to develop agroforestry systems for sustainable reuse of sewage as an alternative to disposal of poorly-treated effluent into waterways and onto edible crops.

Bhutan

Environmental mainstreaming is now embraced by Bhutan's Royal Government as an essential path within the development activities of all its sectoral programs, and the UN Development Assistance Framework for Bhutan (2008 to 2013) has environmental mainstreaming as one of its four major programs. With assistance from PSLP, Griffith University led capacity-building training in partnership with Bhutan's Gross National Happiness Commission and its National Environment Commission. This included the introduction of concepts, initial sensitisation and development of a skill base, and the formation of a help desk within government to ensure consideration of environment, climate change and poverty impacts in all high-level national policy and planning. The help desk will make a vital contribution to maintaining the Bhutanese development approach reflected in its gross national happiness policy.

Maldives

Australia seeks **to support Maldivian-led initiatives to develop a climate resilient economy**. Its unique geography renders the Maldives particularly vulnerable to adverse consequences of climate change. Combating this threat is the highest development priority for the country. Its two most important economic sectors are exposed, with tourism and fisheries contributing nearly 80 per cent to gross domestic product. In addition, Maldives currently spends 27 per cent of its gross domestic product on fossil fuels with a projected increase of up to 40 per cent in the next decade. Achieving energy security is a critical priority to combat the possibility of rising global fuel prices.



Australia's support to the sector is channelled through the World Bank Maldives Climate Change Trust Fund (Australia provided \$500 000 in 2011–12, representing 10 per cent of total funds). Launched in 2009 and recently extended to 2015, the fund is the primary donor mechanism supporting adaptation and mitigation efforts.

The Maldives Climate Change Trust Fund comprises two components:

1. **Adaptation**—aimed at building a climate resilient economy. Activities include designing and piloting awareness and training programs to protect economically and ecologically significant areas such as coral reefs and wetlands. It also includes identifying good practices, developing climate friendly regulatory frameworks (for tourism operators) and building technical capacities of government to better manage natural resources.
2. **Mitigation**—aimed at promoting low carbon development. Activities include supporting the Government of Maldives to develop a low carbon strategy, design and pilot solar and other renewable energy infrastructure, and develop energy efficient schemes that can be scaled up and replicated throughout the country.

In early 2012, the trust fund received clearance to implement two of its three sub-projects, suggesting progress may improve in 2012. AusAID will need to engage closely with the World Bank and European Union to ensure activities are progressed in a timely manner.


Objective 2: Promote inclusive and sustainable development

A major objective of Australia's assistance in South Asia is to promote inclusive and sustainable development. This is an element of all eight bilateral programs in South Asia as well as a feature of the South Asia Regional program. Improved governance, better service delivery and stronger connectivity are essential to reduce extreme poverty in South Asia. Economic growth has not transpired into inclusive growth in the region, with disparities in wealth within and between countries increasing over the last two decades. Lagging regions and vulnerable citizens are being left behind. Strengthened governance and increased investment in infrastructure and services delivery has the potential to support inclusive economic growth—fuelling job creation, generating economic opportunities and providing essential services.

Progress against this objective is rated orange due to high-level outcomes being inadequately measured or undermined by broader socio-political events. In the South Asia Regional program, Australia helped to improve some major investments of the World Bank and ADB by supporting innovative technical assistance projects, often with high visibility for Australia. It has also supported donor harmonisation. However, in 2012, AusAID will need to improve our ability to measure the impact of individual projects with the banks while tightening our sectoral focus for greater impact. In the Maldives, the progress of Australia's governance investments in 2011 was partially undermined by political unrest.

South Asia Regional

AusAID's South Asia Regional program seeks to improve regional connectivity, improve trade facilitation, strengthen service delivery and support better governance. Technical assistance through the World Bank, ADB and AusAID's PSLP has




supported multiple small-scale activities. In 2011, AusAID improved our partnerships with the banks, including by creating administrative efficiencies through a new World Bank Umbrella Trust Fund and drafting a communications strategy with the ADB. More will be done in 2012, such as aligning regional priorities, drafting cooperative agreements, enhancing joint forward planning and improving results reporting on the impact of our investments (including by aligning with Effective Aid).

AusAID seeks **to improve local governance and service delivery** in South Asia through flexible facilities with the ADB and World Bank. In the past, services in South Asia were delivered by line departments of central or state governments or by public sector enterprises and utilities. In recent years, community-based systems have been added. There is now growing recognition that scaling up and sustaining community-based systems will require a counterpart tier of local government to manage delivery and offer a forum for the voice and preferences of communities.

Performance reporting in 2011 was predominantly output-based, making it difficult to assess impact. Three examples of activities conducted under the World Bank and ADB facilities are listed below.

1. In Bangladesh, local governance was strengthened with the first social audits of the lowest tier of rural local governments, the Union Parishads. All Union Parishads are allocated discretionary block grants under the World Bank-funded Local Governance Support Project. The audits were piloted in 50 Union Parishads with the help of an NGO and the active participation of communities. Some community meetings were televised live. As a result of this successful attempt to increase voice and accountability, social audits are to be scaled up under the successor project, Local Governance Support Project Phase II, which was recently approved by the World Bank's Board.
2. In Bhutan, a poverty map was developed to improve targeting of government funds to the neediest districts. In most countries poverty estimates are not taken into account in allocating fiscal resources to local governments as reliable data is not available at that level. The development of policy indicators in Bhutan using poverty assessments and infrastructure gap data resulted in a poverty map that makes this possible. The map was also used by Bhutan's highest planning body, the Gross National Happiness Commission, during its March 2011 mid-term review meetings on the Tenth Five Year Plan in districts. The new map has generated useful policy debates among planners and decision makers.
3. In Bhutan, the Capacity Building for Introducing Regulatory Impact Assessment project was completed in June 2011. This is part of the country's overall effort to strengthen the enabling environment for the private sector, crucial to diversifying its economic base and moving it to a more sustainable growth path by enhancing the legal and regulatory framework for doing business. The results achieved, such as the development of Regulatory Impact Assessment methodology, guidelines and policy and other capacity building activities, are improving the legal and regulatory framework—resulting in increased transparency of decision making in government, thereby encouraging private sector investment.



The South Asia Regional program also seeks **to build regional infrastructure connectivity**. As infrastructure has to meet the needs of the growing population in the region and continue to provide the underpinnings of the region's growth. Key challenges are in making adequate levels of investment possible, ensuring appropriate policy and regulatory environments and promoting effective management of infrastructure.

Australia has supported the World Bank-led South Asia Region Infrastructure for Growth Initiative (SAR IFGI) (\$39.5 million from 2008–09 to 2012–13). The initiative covers infrastructure for energy, transport, irrigation, urban development, water and sanitation and telecommunications sectors. In 2011, AusAID worked with the World Bank to refocus SAR IFGI on connecting lagging regions with prosperous areas. SAR IFGI has provided technical assistance and undertaken preparatory work for a number of large-scale transformative infrastructure projects, implemented through concessional loans. AusAID funding supported the design of the first high speed dedicated freight corridor of the Indian railways, the largest rural roads project in the world. It also further developed cross-border trade in energy between India and Bangladesh, between and India and Nepal and between South and Central Asia (Box 1). AusAID will work with the World Bank to ensure SAR IFGI is further tailored to support our South Asia Regional program priority of sub-regional integration.

Box 1: Central Asian and South Asian cross border trade in energy (CASA 1000)


The CASA 1000 project under the Central Asia–South Asia Regional Electricity Market is an ambitious vision for developing electricity trade among countries in the two regions. Under this concept the Kyrgyz Republic and Tajikistan will supply electricity to Afghanistan and Pakistan. The first phase is to establish the transmission and trading infrastructure and systems needed to enable trade of about 1300 MW of electricity between Central Asia and South Asia. The SAR IFGI is contributing to project preparation with transaction advisory services for legal advice for the South Asian countries and for benefit sharing with local communities, a sensitive issue for natural resource projects.

Maldives

Australia seeks **to improve governance in the Maldives** through strengthened public sector, civil society and judicial capacities. With a relatively new constitution (ratified in 2008), the country's democratic aspirations need support through strengthening and capacitating underlying institutions to help them withstand political pressure and reduce the risk of continued and ongoing instability. While there have been incremental achievements over recent years, progress was seriously set-back by civil unrest in 2011 and a transfer of power in early 2012. Australia is working with key partners and donors to identify emerging governance priorities for long-term stability in the Maldives.

Australia supports two UNDP projects, both of which show output-based success (in lieu of forthcoming formal reviews) and will need to be reshaped in 2012 due to the unrest.

1. The UNDP Civil Society Development project, which began in August 2010, seeks to reinforce democratic progress in the Maldives by empowering civil society to lobby more effectively, influence decision makers, provide services



and promote good governance, particularly in the areas of human rights, gender equality and youth development. The project conducts training and workshops for NGOs (9 NGOs participated in round 1 and 13 NGOs in round 2) that work with civil society. It also supports NGOs through small grants. Since its inception the project has overseen the disbursement of approximately US\$250 000 worth of grants to 22 NGOs in Male and surrounding atolls. Australia provided an additional \$150 000 in 2011 to fund a third round of grants. Notwithstanding the upcoming UNDP evaluation report (due mid-2012), Australia will need to strengthen our engagement with the UNDP on results reporting for this project—even more so as the project adjusts its priorities in 2012.

2. The UNDP Capacity Building of the Judiciary project also seeks to build a functional, impartial and independent judiciary that works in line with the Constitution and international standards, generating greater public confidence in the justice system. Achievements include training around 200 judges in human rights and the constitution and training 100 judges in best practice. The project is sensitive and has been affected directly by the 2012 uncertainty in the Maldives. AusAID and the Department of Foreign Affairs and Trade (DFAT) will need to work with the UNDP as it reviews its plans.


Objective 3: Advance regional health outcomes

Australia works regionally and at the bilateral level in India and the Maldives on maternal health, HIV, nutrition, and water and sanitation.

Progress against this objective was rated green because we have achieved strong results in some long-standing programs and because the signs are positive for more recent investments. Based on initial outputs on our maternal health and nutrition investments (both new in 2011), these areas will have significant impacts for some of the most marginalised in the region. For example, the Government of Nepal now has a costed multi-sectoral nutrition plan, with a results framework and roadmap for cross-sectoral work between ministries that will reduce under-nutrition in a country where it is more than 40 per cent in the under-five population. Our investments with the World Bank on water and sanitation is maximising its policy influence in the region for high-impact results such as through national water and sanitation plans. Our five-year support for a region-wide HIV project has led to incremental changes in governments' approaches to providing services to citizens with HIV.

South Asia Regional

In line with AusAID's commitment of \$1.6 billion by 2015 to women's and children's health, one key objective of the South Asia Regional program is **to improve maternal health outcomes in South Asia** through better family planning and improved access to reproductive and child health—a highly cost-effective strategy for reducing maternal deaths. An estimated 215 million women globally want to avoid unwanted pregnancies, and poor South Asian women cannot normally access the reproductive health services they need. Since May 2011, AusAID has provided core funding to support the South Asia Strategy of the International Parent Planning Federation. Through its Member Associations in South Asia countries, the federation is helping to reduce maternal and child deaths by improving equitable access for



underserved groups to sexual reproductive and maternal health information, education and services. In 2011 more than 89 000 client services were provided in areas like infertility, sexually transmitted diseases, urology, gynaecology, and obstetrics. AusAID will work with the International Parent Planning Federation on gaining data showing the national-level impact of this work.

Another key program objective is **to reduce the impacts of HIV in the region**. Rapidly increasing drug practises across the region may undermine progress against HIV transmission rates. Large numbers of injecting drug users live with AIDS in the region: 2008 estimates were that India had 164 820 injecting drug users (with 11.15 per cent HIV prevalence), Nepal had 22 050 (41.39 per cent HIV prevalence) and Bangladesh had 30 000 (1.35 per cent HIV prevalence). Since 2007, Australia has supported the UN Office on Drugs and Crime's project to reduce transmission of HIV among injecting drug users in SAARC countries (our support will terminate with the end of the project in 2012 and in response to Effective Aid). The project uses evidence-based advocacy to reduce impediments to scaling up harm-reduction, prevention and care services. It changed the mindsets of governments, including through comprehensive assessments in Bangladesh, Pakistan, Bhutan and Sri Lanka. As an example, the Rapid Situation and Response Assessment in Bangladesh was the first ever to assess the needs of female drugs users and regular female partners of male drug users in the country. The fast-changing nature of the HIV epidemic, embedded social attitudes and the changing political environment are a continuous challenge for tackling HIV in the region.

Another South Asia Regional program objective on health is **to improve nutrition outcomes**. South Asia has the highest rates and largest numbers of under-nutrition in the world. Child under-nutrition prevalence is estimated at more than 46 per cent of children age 0 to 5 years, much higher than Sub-Saharan Africa (26 per cent). About 23 per cent of the population in South Asia, 336 million, are routinely hungry, not having access to enough calories every day. Of the 155 million underweight children worldwide, more than half (83 million) are in South Asia. Five South Asian countries (Afghanistan, Bangladesh, India, Nepal, and Pakistan) have under-nutrition rates of more than 40 per cent in their under-five population.

The South Asia Food and Nutrition Security Initiative (SAFANSI) is a partnership between the World Bank and the United Kingdom that started in March 2010. AusAID joined in May 2011. While it is too early to assess impact on nutrition trends, the initiative is building momentum. SAFANSI fosters country-led action by targeting three pillars: analysis, advocacy and capacity building. Strongest take up in 2011 was in India, Nepal, and Pakistan. For example, SAFANSI has assisted the Nepal Planning Commission to develop an approved, costed multi-sectoral nutrition plan. In India, SAFANSI supported the 2011 International Food Policy Research Institute's conference on Leveraging Agriculture for Nutrition and Health. The Indian Prime Minister has since announced his support for the food and nutrition service agenda. A Technical Advisory Committee was established mid-2011 to ensure technical integrity, but AusAID and the United Kingdom's Department for International Development (DFID) will need to ensure it has a clear work plan for 2012.

The South Asia Regional program also seeks **to improve access to clean water and sanitation**. According to the UN's 2010 MDG report, South Asia is the worst




performing region in the world, with 64 per cent of its population lacking access to basic sanitation. To complement Australia's bilateral water, sanitation and hygiene activities, AusAID has provided \$10 million to South Asia's Water and Sanitation Program (WSP) since 2006, in partnership with the World Bank. The program facilitates regional knowledge exchange to achieve reform, particularly relating to policy and regulatory frameworks, government capacity and service provider capacity. To improve the quality of sanitation services, WSP helped to establish a service-level benchmarking framework. This framework was incorporated into the formulation of India's 13th Finance Commission as a condition to be met by local government bodies before receiving US\$1.7 billion in performance grants. WSP also assisted Bangladesh to prepare a national sanitation strategy for the Ministry of Local Government. A WSP study of 53 Union Parishads declared 100 per cent open defecation free found that after five years, 90 per cent of households continued to use latrines. A shift in social norms and ongoing sanitation programs are two reasons for this sustainable impact. AusAID is reviewing its partnership with the WSP as part of its 2012–15 regional water, sanitation and hygiene investment strategy.

India

One objective of Australian aid in India is **to reduce HIV**, particularly in the disproportionately affected north eastern states. UN figures suggest the rate of new infections in India dropped by 50 per cent over the previous decade and that India is on track to achieve the MDG on HIV. In partnership with the Joint United Nations Programme on HIV and AIDS, Australia's \$10 million contribution to this progress is centred on support for the Indian Government to establish the National AIDS Control Organisation's North East Regional Office (NERO), and build the capacity of provincial AIDS control societies. This is one of the few Australian development projects that directly engages the Indian Government. The initiative has introduced region-specific models for children and pregnant women infected and affected by HIV and mobilised policy reforms. Our funding supported an increase in the number of HIV counselling and testing centres from 217 to 324. It has also led to a decline in new infections among intravenous drug users. However, transmission of the virus is increasing through heterosexual activity, complicating progress against HIV. This will be considered by the Government of India in subsequent phases of its National AIDS Control Program.

AusAID support for the project will end in 2013 in line with our phase out of bilateral development assistance to India. The Government of India proposes to explore ways to support the North East Regional Office and related successful interventions using its own resources after 2013.

Another objective of Australian aid in India is **to enhance the delivery of basic services on water and sanitation**. More children under the age of five die in India than in any other country in the world and diarrhoeal diseases are one of five major causes of death. Two-thirds of the people in the world practicing open defecation are in India. More than 1.1 billion people practice open defecation in India and improving access to sanitation in-country is critical to reducing child mortality. AusAID support to the World Bank (\$4.5 million over 2010–13) aims to support water and sanitation reforms in India. In 2011, this initiative continued to create demand for reform in water supply through a challenge fund for continuous water supply in rural and urban areas. Our funding has also helped improve the design and approach of five loans on



water and sanitation totalling \$2.476 billion. AusAID's funding is creating demand in two areas of reform, building private-public partnerships and increasing access to water. We are also supporting the implementation of improved approaches such as in the case of the gender impact of reforms in the Urban Water Supply and Sanitation Improvement Project, which involves a \$1 billion loan.

The Australian Government's decision to phase out bilateral aid to India will see AusAID support for this WASH project end in 2013. AusAID is working with the World Bank to ensure a smooth transition and will review options under the regional WSP.

Objective 4: Improve education and human resource development outcomes

All AusAID country programs in South Asia feature education and human resource development as part of their strategy. In the next 20 years, 1 million of South Asia's youth will enter the workforce every month. To take advantage of this youth dividend, the region has to tackle gaps in education. While there has been progress in enhancing access, levels of learning in the region remain very low on average and a large number of children do not master basic competencies even after five years of schooling. With 576 scholarships awarded in the region in 2011, Australia Awards play a significant role in our human resource development efforts (Table 4). This is especially so for the Maldives and Bhutan, where Australia does not have a diplomatic Post and Australian Awards represent the largest part of our assistance. These awards are complemented by other small-scale activities, including in primary schools and vocational institutions.

Progress against this objective was rated green largely because of the success of the long-running Australia Awards programs in Bhutan and the Maldives and the strong results of the World Food Programme in Bhutan. With more than 500 awards provided to Bhutan and the Maldives in the past decade, Australia continues to see alumni reach high levels in the public sector agencies of these countries. However, we will need to do more in 2012 to gain quantitative data to measure our success, such as through tracer studies, and to integrate Australia Awards into our forthcoming AusAID country strategies. In Bhutan, Australian support to primary schools has increased enrolment by more than 2 per cent in 2011 alone and we are increasing the capacity of Bhutan's technical and tertiary training institutes. This will have a compound effect on education outcomes.

Table 4: South Asia Australia Awards by country and gender (2011)

Country	2011						ALA Fellowships	Endeavour Awards (managed by DEEWR)	Total Australia Awards
	Australian Development Scholarship			Australian Leadership Award (ALA)					
	M	F	Total	M	F	Total			
Afghanistan	21	3	24	4	1	5	1	2	32
Bangladesh	31	30	61	9	5	14	45	31	151
Bhutan	23	10	33	4	5	9	8	39	89
India	0	0	0	5	2	7	21	37	65
Maldives	11	14	25	2	4	6	10	0	41
Nepal	13	6	19	8	4	12	17	12	60
Pakistan	29	22	51	0	0	0	13	46	110
Sri Lanka	6	12	18	0	4	4	37	26	85
Total	134	97	221	32	26	57	152	193	576

Note: M = male, F = female

DEEWR: Department of Education, Employment and Workplace Relations

South Asia Regional

AusAID's South Asia Regional program supports the implementation of Australian Awards in South Asia through oversight of a managing contractor (Coffey) which delivers the South Asian Scholarships Program (SASP). SASP covers Bangladesh, Bhutan, India, Maldives Nepal, and Sri Lanka. Afghanistan and Pakistan are managed separately.

The management of SASP improved in 2011. Relationships between AusAID and Coffey improved at all Posts, and between headquarters. Bangladesh Post is the lead on implementing new policies coming from AusAID's scholarships section in Canberra. Coffey and AusAID have identified management reforms which will, over the course of 2012, ensure Coffey is handling as much SASP administrative work as is possible and AusAID is focusing on policy and strategic work. Heads of Post are also taking increased responsibility for improving SASP quality and strategic impact.

India

Australia's objective with Australia Awards in India is **to build people-to-people links among future leaders**. Australia has a relatively small Australia Awards program in India, with 65 awarded in 2011, mostly focused on short-term ALA Fellowships (21) and Endeavour awards (37). AusAID targets its Australia Awards on Australian strengths and improved outcomes in the country program, focusing on HIV/AIDS, health and water and sanitation (particularly in the north eastern states of India). As AusAID designs its Regional strategy, greater consideration will be given to the role ALAs play with key trans-boundary issues such as climate change.



Bhutan


Australia's primary development objective in Bhutan is **to help build human resources capacity** in support of the Royal Government's Tenth Five Year Plan. Evidence of Bhutan's development progress is highlighted by the World Bank reclassifying Bhutan as a lower middle income country. With more than 400 Australia Awards to Bhutan in the past decade, Australia has focused on tertiary education and will increasingly look provide opportunities for a broader diversity of Bhutan's population as its economy grows, in consultation with the Royal Government.

Australia's contribution centres on a long-running scholarships program, which has produced around a dozen alumni now employed as Ministers and senior executives in government. In 2011, 89 Bhutanese were awarded Australia Awards (including 42 Australian Development Scholarships and Australian Leadership Awards), an increase on the 47 delivered in 2010. Scholarships are targeted every year to fill gaps in Bhutan's capacity to manage the development needs identified in its Human Resource Development Strategy, in a process led by the Royal Government. In 2011, sectors were expanded to include disability, economic growth, education, environment, food security, gender, governance, health, human rights, infrastructure, regional stability, rural development, as well as water and sanitation. In 2011, there was gender parity for awardees for the first time. Coffey has started to conduct tracer studies, which will be a better way to judge program impact in 2012.

Australia is also supporting Bhutan's vocational training and education system and building long-term Australian links through the PSLP—where small projects in such a small country can have a large impact. The Queensland University of Technology and the Bhutan Ministry of Labour and Human Resource Development are working to improve shortfalls in technical and vocational education and training and develop occupational standards for all job types. The government plans to establish more vocational training institutes (there are now six across the country). The quality of training will address employment prospects for trainees and the University of Canberra is building the capacity of the Royal Institute of Management, a prime institute in Bhutan, to deliver professional courses and accredit the institute so that they are recognised at regional and international levels.

Australia has also sought **to help increase the net enrolment rate for primary school children in Bhutan**. By supporting the World Food Programme to encourage poor households to send their children to school, outcomes on nutrition and school enrolments have improved. The program has helped increase the net primary enrolment rate from an estimated 53 per cent (58 per cent boys, 47 per cent girls) in 1998 to 92 per cent (91 per cent boys, 93 per cent girls) in 2010. In 2011, Australian support led to a 2.4 per cent increase in enrolment, representing an additional 850 students enrolling in school. We also provided nutritional support to 14 029 school children (49.6 per cent boys and 50.4 per cent girls) in 80 schools. Attendance rates increased from as low as 80 per cent in 1995 to 91.5 per cent in 2011 for all off-road (remote) primary schools.

In response to the 2010 earthquake, Australia has sought **to help Bhutan's education system recover from natural disasters**. Australia contributed \$1.3 million through the United Nations Children's Fund to reconstruct sanitation facilities in 50 schools



and water supply schemes in 40 schools, and reconstruct 13 community primary schools in five earthquake affected districts. In 2011, Australia provided 323 children—224 boys and 99 girls—from three schools with access to improved water. A total of 3570 children (50 per cent girls) from 17 schools were provided with improved sanitation facilities. Australian funds were also used to reconstruct and renovate 27 classrooms in 13 schools.

Maldives

Australia aims **to increase the capacity of the public sector, civil society and tertiary institutions**. This is increasingly important as the Maldives works to stabilise the country following unrest in 2011 and 2012. In 2011, 41 Australia Awards were granted (including 31 Australian Development Scholarships and Australian Leadership Awards); more than double the awards in 2010. Maldives succeeded in attracting female applicants. In 2011, 110 of the 175 who applied were female and 27 were granted an award.

Priority sectors for awards in 2011 were: education, health, environment, fisheries and agriculture. Themes for Australian Leadership Awards were disability, economic growth, education, environment, food security, gender, governance, health, human rights, infrastructure, regional stability, rural development, and water and sanitation. AusAID is updating its alumni database, developing active alumni association and collecting evaluations from the managing contractor. Australia will also integrate Australia Awards more clearly in our forthcoming development strategy for the Maldives, and ensure they are aligned with the priority sectors of education, environment and governance.

The AusAID-funded Maldives Pilot Volunteer Program supported the development of the Maldives' education system. The program concluded in June 2011 and is widely regarded as being successful in building the capability of teacher training centres and technical and vocational education institutions. In response to a request by the Maldives Government in 2011, AusAID has agreed to support a longer program The Maldives Education Sector Volunteers Program, to begin in 2012, will be managed by Australian Volunteers for International Development. The Maldives Education Sector Volunteers Program will allow Australian volunteers to share their expertise with education-related institutions, including the Ministry of Education, in sub-sector departments, within teacher resource centres, in the vocational education and training sector, and at school level.

Program quality

The performance of all four programs in 2011 was satisfactory (Table 5). Aggregated results for quality at implementation (QAI) reports suggest programs were rated highly on relevance and effectiveness, but could improve performance on monitoring and evaluation, sustainability and gender equality. These will be key focus areas for 2012. Compared to 2010 ratings, most programs improved results in areas identified as being less than satisfactory. The two most underperforming programs (Australia Awards management and PSLP), which received QAI scores below 3, are undergoing reform and scores for 2012 expected to improve.

Table 5: Performance by quality at implementation scores in 2011

Programs and projects	Relevance	Effectiveness	Efficiency	Monitoring & evaluation	Sustainability	Gender
Regional QAIs						
SAWI (World Bank)	6 (6)	5 (5)	5 (5)	4 (4)	4 (4)	5 (4)
AusAID-ADB Partnership Facility (ADB)	6 (6)	4 (4)	5 (5)	4 (4)	4 (3)	5 (5)
Preventing HIV Transmission Among Drug Users in SAARC Countries (UN Office on Drugs and Crime)	5 (5)	5 (5)	4	5 (5)	4	5 (5)
Policy Advocacy and Service Delivery Decentralisation (World Bank)	5 (5)	5 (5)	5 (5)	4 (4)	5 (5)	4 (3)
PSLP (South Asia)	5 (6)	4 (5)	4 (5)	4 (4)	4 (3)	3 (3)
Water and Sanitation Program (World Bank)	6 (6)	5 (5)	5 (5)	5 (5)	4 (4)	5 (5)
South Asia Scholarships Program (Coffey)	4	4	4	3	2	5
SAFANSI	6	5	5	4	4	5
IPPF	6	5	5	5	5	5
India QAIs						
Energy Security and Climate Change	5	4	4	4	4	3
Water and Sanitation	6	5	5	3	3	4
HIV/AIDS	6 (6)	5 (5)	4 (4)	5 (5)	5 (5)	5 (5)
Public Sector Linkages	6 (6)	3 (5)	2 (6)	3 (4)	4 (5)	4 (4)
Bhutan QAIs						
Scholarships	5 (5)	5 (4)	4 (3)	3 (3)	4 (4)	4 (4)
Maldives QAIs						
Scholarships	4 (5)	4 (4)	3 (2)	4 (3)	4 (4)	4

Performance against quality criteria is rated using a six-point scale (2010 scores sit alongside in brackets where applicable).

■ = 6 = Very high quality—needs ongoing management and monitoring only ■ = 3 = Less than satisfactory—needs work to improve in core areas

■ = 5 = Good quality—needs minor work to improve in some areas ■ = 2 = Poor quality—needs major work to improve

■ = 4 = Adequate quality—needs some work to improve ■ = 1 = Very poor quality—needs major overhaul

The South Asia Regional program also had three independent reviews conducted of three major activities—the AusAID-ADB Partnership Facility (ADB), the Policy Advocacy and Service Delivery Decentralisation (World Bank), and South Asia Regional Infrastructure for Growth Initiative (SAR IFGI) and these are rated in Table 6. Note the AusAID QAI for IFGI covers all global IFGI projects, so is not included in Table 5.

Table 6: South Asia Regional program performance by independent evaluation in 2011

South Asia Regional program	Relevance	Effectiveness	Efficiency	Monitoring & evaluation	Sustainability	Gender
AusAID–ADB Partnership Facility (ADB)	5	5	4	4	4	4
Policy Advocacy and Service Delivery Decentralisation (World Bank)	5	4	4	3	4	4
SAR IFGI (World Bank)	6	5	5	4	5	3

Effective Aid


The four programs are taking steps to implement the directives of Effective Aid, particularly around working with partners, donor harmonisation, consolidation and preparing for scale-up. The Regional, Maldives and Bhutan programs are devising strategies for facilitating modest growth in funding. In the South Asia Regional program we are strengthening our relationship and consolidating our work program with major partners, particularly the World Bank and ADB. We are also holding more talks with the DFID on economic integration and trans-boundary water resource management. In Bhutan, we are working closely with our partner government and looking to support its education systems. In the Maldives, we are looking to develop closer donor cooperation to progress our objectives after the political unrest in 2011. Our phasing-out of bilateral aid to India is on track, with all assistance scheduled to end by 21013. This paves the way for future cooperation with India as an emerging donor.

South Asia Regional

Despite a strategic shift in focus in 2011, AusAID’s South Asia Regional program performed satisfactorily. The management of Australia Awards—the least performing program—was already showing signs of improvement by late 2011 following a management workshop. AusAID’s major regional investments—with the World Bank and ADB—will be improved in 2012 through strengthened partnership arrangements, greater strategic alignment and stronger results reporting. Improvements have been made by the World Bank decentralisation initiative on gender following a less than adequate rating in 2010. According to an independent evaluation, gender performance will need to improve in the World Bank-led SAR IFGI (plans are underway to earmark funds for gender-specific sub-projects and to disaggregate data by gender where feasible). In line with new AusAID policy on devolving the management of most activities to geographic teams, this trust fund was transferred in 2011 from the Infrastructure and Water Policy Section to the South Asia Branch to improve strategic alignment.

India

AusAID programs in India performed at average-to-high standard. Best practice was demonstrated in the HIV/AIDS program on donor coordination and productive partnerships and results yielded from this long-term program (10 years). This project showcased the value of four UN agencies working together under the ‘One UN’



model supervised by India's National AIDS Control Organisation's (NACO) North East Regional Office and overseen by a NACO-led steering committee. While many activities were only just being established (AusAID–UNDP Partnership on Climate Change, World Bank Water and Sanitation Initiative and the AusAID–ACIAR Partnership), they have progressed satisfactorily with monitoring and evaluation systems in place and initial pilots and/or studies selected. Poor India PSLP scores were partly caused by delays in the ongoing negotiation between Australian and India on an approval process. Key areas for quality improvement across the board are gender inclusivity and sustainability—ensuring there is a clear way forward for studies and pilots to be taken-up and actively used.

Bhutan

AusAID programs in Bhutan performed well. Steps were taken in late 2011 to draft the first development memorandum of understanding with the Royal Government of Bhutan and establish bilateral whole-of-government talks, both of which should be implemented in 2012 along with a new volunteers program. On Australia Awards, gender parity was achieved, program efficiency improved, and measures put in place to increase transparency in selection. In 2012, AusAID plans to increase assistance in Bhutan. We will, for example, integrate the Australia Awards program into our new country strategy, including granting awards to the private sector. We will also seek to ensure gender parity is embedded in the selection process.


Maldives

AusAID programs in the Maldives performed adequately. A number of factors complicated program management, which is overseen from Colombo Post. The relatively small size of the program (compared to the more complex Sri Lanka program), the absence of effective donor coordination mechanisms, the heavy emphasis on Australia Awards and the absence of in-country staff, means AusAID relies on the information and assessments of our delivery partners. Most delivery partners also have limited in-country staff and their development interests do not always completely overlap with ours. AusAID's capacity to understand, predict and mitigate program and political risk is therefore limited. This suggests that the scaling up of the program should focus on increasing the size of existing programs, reducing the number of delivery partners and improving our engagement with partners.

Multilateral Performance Assessment

The four South Asian programs covered in this APPR deal with a number of multilateral partners, most notably the World Bank, ADB and UNDP.

An **independent evaluation** of AusAID's two major trust fund facilities in South Asia—with the World Bank and ADB—concluded they are achieving tangible results and providing value-for-money. Innovations and reforms supported have the potential to generate high returns. These probably would not have been financed from other resources. The independent evaluation found that both multilateral development banks are well positioned to identify and respond to emerging opportunities with partner governments for investments in national and regional projects. AusAID's partnership approach was also judged to be effective and in line with the Paris Declaration on Aid Effectiveness. AusAID has also benefited from World Bank effectiveness in engaging with partner governments and in drawing together leading



international and regional technical expertise. Identified areas of improvement identified in the evaluation report are to build a stronger focus on results (with a clearly defined and agreed results framework for each facility) and develop strategies for communication and reporting (such as through partnership agreements, communications plans and annual meetings).

Performance of our partnerships with the World Bank, ADB and UNDP for 2011 are as follows:

- **World Bank:** The AusAID–World Bank Facility’s activities were generally well integrated into bank operations in each country, aligned to government priorities and reforms, and linked to development partner activities. The just-in-time option for financing projects through the facility supported opportunities for strategic change that are often both politically and time sensitive. The World Bank ensured AusAID’s contribution was recognised at knowledge dissemination events. The World Bank’s activities would be further strengthened through the development of a robust monitoring and evaluation framework, a gender strategy and a communications strategy.
- **ADB:** The ADB has a strong track record and credibility in supporting regional cooperation, and has performed well in building substantive partnerships with AusAID and implementing agencies through the AusAID–ADB Facility. ADB has ensured visibility for AusAID through the facility’s website. Projects are being implemented in close cooperation with multiple government agencies and different levels of government. Involvement of NGOs, the private sector and donor partners allows projects to address crosscutting issues—including governance, regional cooperation, gender, results monitoring and knowledge management—that would not traditionally be financed from internal ADB resources due to their small size and relative risk. The ADB was responsive in strengthening its performance monitoring and progress assessments, and providing information on outcomes and impact. AusAID has benefited from ADB’s established track record and credibility in supporting regional cooperation in South Asia, as well as its strong and pragmatic relationships with partner governments.
- **UNDP:** The UNDP has performed well in India and adequately in the Maldives. In India, it has established good links with nodal agencies and built a strong identity for Australia through engaging with Australian climate change centres. By partnering with the UNDP, Australia linked to India’s premier national training institute for the civil service (to develop a course on climate change) and engaged in activities led by India’s Ministry of Environment and Forests, Ministry of Steel and Ministry of Home Affairs. UNDP harmonises its program very closely with the Government of India through regular joint strategy development and approval processes. While political unrest has disrupted some UNDP activities in the Maldives, more can be done by AusAID to improve results reporting.

Other government departments

To the extent possible, ODA of other government departments in South Asia (Table 7) was integrated into the ‘Progress against objectives’ section of this report. This section provides additional context and lists other government department activities not previously included in this APPR.

Table 7: ODA expenditure of other government departments for 2010–11 and 2011–12

	Regional		India		Bhutan		Maldives	
	2010–11	2011–12	2010–11	2011–12	2010–11	2011–12	2010–11	2011–12
AusAID	36.1	40.8	17.0	17.6	6.5	6.5	4.7	4.8
OGD	0.8	0	9.3	7.4	1.6	1.5	0.2	0.2
Total	36.9	40.8	26.3	25.0	8.1	8.0	4.9	5.0

South Asia Regional

Through South Asia’s PSLP, Australia helped train 588 public servants across the region in 2011. In particular, the Australian Transaction Reports and Analysis Centre trained more than 500 officers on financial intelligence, leading to a 120 per cent increase in suspicious transaction reports in Nepal and a 100 per cent increase in Bangladesh.

India

Across the four programs covered in this APPR, India received the highest proportion of ODA from other government departments. This reflects the whole-of-government importance placed on India–Australia relations, also reflected in the India–Australia Strategic Partnership. The ODA delivered by other government departments in India and AusAID’s bilateral program which focuses on climate change, agriculture and health, complement one another well. In 2011, the New Delhi Direct Aid Program, administered by the Department of Foreign Affairs and Trade, supported 2525 children provided with financial or nutrition support and 2295 children gained access to better quality education services; 670 children enrolled in formal schooling; and 50 people gaining access to safe drinking water. Some activities are more broad in scope, such as the Australian Sports Outreach Program (\$5 million from 2010–14) which empowers marginalised Indian children and youth by participating in sport. AusAID will liaise with other government departments as part of the phase out of Australia’s bilateral aid to India.

Bhutan

AusAID has used the PSLP in Bhutan as an effective way to address key needs identified by the Bhutanese Government, including through work by the Australian Electoral Commission. From 2007 to June 2011, Australia also supported Bhutan’s agricultural development by improving farm productivity for potential export products. ACIAR conducted the project entitled ‘Improving mandarin production in Bhutan through implementation of on-farm best management practices’. Through the project, 116 researchers and farmers were trained and demonstration orchards were established. While data is limited on the project’s strategic impact on Bhutan’s agriculture or export industry, an external review in December 2010 gave it a positive

rating, leading to a successor project on adapting best-practice technologies to commercial citrus enterprises (scheduled to start in late 2012).

Management consequences

There was mixed progress against the management recommendations from the 2010 APPR (Table 8). AusAID staff shortages in 2011 contributed to slow progress on several fronts. A summary of actions to be taken for the regional and Bhutan, India and Maldives programs follows the table.

Table 8: Progress on the major management consequences from the 2010 APPR

Management consequence	Progress	Comment
Develop strategies for South Asia Regional, India, Bhutan and Maldives.	Partial. Draft strategies prepared, but not finalised, for Bhutan and South Asia Regional. India draft strategy not pursued following the independent aid review. Maldives strategy to be drafted.	Constrained by staff resources and change of staff. Strategies to be finalised in 2012.
Redesign SASP management	Achieved. The management of SASP contract was transferred to Canberra, overseas-based staff at Post took over management at Post, and heads of Posts were put in charge of oversight.	
Complete SASP strategies on alumni, monitoring and evaluation, reintegration and tracer studies	Partial. Coffey drafted four strategies, but these were not finalised with AusAID because of the need to refine. Delays were also caused by unforeseen time to amend contract and redesign SASP management	Will be finalised in mid-2012.
Complete and implement the PSLP review	Achieved. The report was finalised mid-2011 and a minute shared with AusAID's Executive in October 2011. Key steps have since been taken, including designing a new PSLP and preparing for the team to move to a new branch.	Will be finalised in early 2012.
Develop strategic approach to partnering with the World Bank and ADB	Partial. Steps were taken to streamline engagement, and improve Australian visibility.	Will be pursued in 2012.
Gender stocktakes in Bangladesh, Sri Lanka and Nepal	Partial. Gender stocktake undertaken in Bangladesh in mid-2011. No stocktake undertaken in Nepal or Sri Lanka.	There are no plans to pursue gender stocktakes in Nepal or Sri Lanka.
Develop a communications strategy for South Asia Branch to improve visibility	Partial. Initial work undertaken on strategy, several new initiatives tested, and significant work around Australian visibility in SAARC and IOR-ARC meetings in 2011. Steps undertaken to recruit a communications specialist.	Constrained by limited staff resources. Strategy to be developed in 2012.
Bid for extra staff (Executive Level 2 and operational managers at Post)	Achieved. A new Executive Level 2 was recruited in Canberra in mid-2011 and operational manager positions were advertised for Colombo, Dhaka and Kathmandu Posts in late 2011.	



South Asia Regional program


For 2012, the South Asia Regional program will:

- finalise the South Asia Regional program strategy and begin drafting an associated performance assessment framework, including liaising with AusAID's climate change team on available resources
- select core development partners to implement the South Asia Regional program strategy, conceptualise the shape of partnerships and maximise donor harmonisation opportunities, particularly with DFID (including contributing to pillar one of the AusAID–DFID partnership on multilateral effectiveness)
- devise an approach to communicate and manage phase out of projects (as decisions are finalised on when particular investments will end)
- explore administered staffing needs for 2012–16 to ensure effective implementation of the South Asia Regional program strategy and maximise Australia's influence in selected sectors
- continue to develop a strategic approach to partnering with the multilateral banks to guide regional and bilateral program engagement as well as improve the reporting provided by the banks so it aligns with Effective Aid requirements and internal reporting cycles
 - amend the contract for SASP, integrate Australia Awards into all country strategies, finalise alumni, reintegration and monitoring and evaluation strategies for Australia Awards, and strengthen SASP internal and external communications
 - continue to implement endorsed recommendations from the 2011 Asia PSLP review, including starting a redesign of PSLP and shifting the Asia PSLP team to AusAID's whole-of-government branch
- improve the integration of the South Asia Regional program with bilateral country programs, including by enhancing communications between all Posts (such as on upcoming events)
- design an effective and efficient delivery model, in line with Effective Aid and our human resource profile, that could also be applied in other program areas of AusAID.

India program

For 2012, the India program will:

- continue to reorient Australia's development relationship with India to one of partners (in line with Effective Aid), including by phasing out bilateral aid to India and liaising with internal AusAID stakeholders, other government departments and the Indian Government
- explore options for AusAID, such as under our regional and global programs, to support the India–Australia Strategic Partnership and broader whole-of-government interests in India

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- capitalise on India’s growing donor capacity by increasing AusAID knowledge on India’s development activities, exploring opportunities to cooperate on aid delivery, sharing our experiences on donor issues and promoting south–south cooperation.

Bhutan program

For 2012, the Bhutan program will:

- finalise a bilateral development strategy that retains education and vocational training at the centrepiece, integrates a scholarships (Australia Awards) strategy and enables scale-up
- strengthen partnerships to raise program quality, focusing on gender
- finalise an alumni strategy, reintegration strategy and tracer studies to demonstrate the impact of and explore creative ways to use Australia Awards
- ensure visibility of Australian aid in our programs
- capitalise on a strong Bhutan–Australia partnership.

Maldives program

For 2012, the Maldives program will:

- finalise a bilateral development strategy that integrates Australia Awards and is flexible enough to manage the impact of political uncertainty and emerging priorities
- improve capacity to mitigate political and program risk by working with DFAT and other partners on political analysis (possibly including joint in-country visits) and by increasing our engagement with delivery partners
- work with managing contractor Coffey to improve access to our education program to smaller atolls where people struggle to meet English language requirements
- liaise with the European Union and World Bank to improve donor coordination with the Maldives Climate Change Trust Fund and progress the implementation of projects.