

## Summary of management response

The findings made in this report relate to Phase Two of DFAT's Sustainable Development Investment Portfolio (SDIP) investment (\$47.9 million, 2016-20). The SDIP adopts a unique partnership and portfolio approach providing earmarked core funding to seven national and international partners to support the integrated management of water, food and energy resources across South Asia's Ganges, Brahmaputra and Indus River Basins, with a particular focus on climate change and women and girls. DFAT acknowledges the ongoing guidance provided by the Office of Development Effectiveness throughout the evaluation process.

The purpose of the Evaluation was to 'assess the effectiveness and relevance of the approach and mechanisms employed by SDIP and identify practical lessons to inform future programming.' The Evaluation took place in the context of the reduction in the Australian Government's overseas development assistance budget for South Asia. The Evaluation's Terms of Reference (TORs) were informed by DFAT's Aid Evaluation Policy and prioritised lines of inquiry that would be most useful for guiding a likely tightening of the geographic or sectoral scope of future investments. During the Evaluation it was confirmed DFAT would be unable to fund a third phase of SDIP at previous levels. DFAT therefore asked the Evaluation Team to focus their report on drawing out useful lessons to guide future investments.

DFAT agrees with all the findings made in the report. They provide valuable guidance on ensuring measurable, clear and appropriate outcomes at program inception, enabling DFAT to test program logic continually to ensure it remains fit for purpose. The report highlights the importance of maintaining adequate DFAT staffing resources to ensure strategic oversight when such a wide range of activities are being implemented. DFAT has distilled the findings into 12 key areas in the below response table. DFAT will ensure future programs address these issues at inception and embed a process of regularly reviewing program logic.

The Evaluation examined in some detail how SDIP achieved so much at the activity level but was less successful at demonstrating and communicating impact at the aggregate level. A number of findings relate to this apparent paradox. In response to the findings, DFAT will work to ensure future programs have a clear and simple narrative and establish a strong communications and public diplomacy strategy at inception.

While the Evaluation findings are accepted, the Evaluation notes the significant achievements of all partners, supported by SDIP advisors, which achieved numerous instances of breakthrough research and innovative programming. DFAT also recognises partners for their successful activity implementation. The program achieved particular success on climate change and gender. Despite issues with the original program design, which DFAT accepts accountability for, partners demonstrated outstanding commitment to the program and its implementation.

The action plan identified in this management response will be progressed by DFAT's South Asia Regional Section (SRG) within South and West Asia Division (SWD). A smaller investment, focused on sharing Australia's expertise in water resource management, will replace the SDIP from 2021.

Given the program will end in 2020, DFAT will take a pragmatic approach to implementing changes in response to the evaluation's findings. In particular, where changes offer the prospect of better reporting of final activities, DFAT will implement them. DFAT will ensure all findings are reflected in future programming.

## Individual management response to the lessons learnt of SDIP2

Findings and Lessons Learnt	Actions
<b>Responsibility:</b> DFAT accepts responsibility for implementation of all actions listed in this table.	
<b>1. Program design, purpose and scope</b>	
<p>SDIP is partially meeting expected objectives, but given the fundamental shortcomings in SDIP's design it is not possible to be more definitive... (p.12)</p> <p>...The challenge in providing a definite conclusion on the performance of SDIP relates to the measures provided in the Performance Assessment Framework (PAF). SDIP's design includes three high level end-of-investment outcomes that are then broken down into six focus areas (domains of change). The end-of-investment outcomes have a definite focus on regional cooperation, for which there is little evidence of progress. However, the focus areas are broad and generic enough (and have less of a focus on regional cooperation) to allow all of the partners' results to be included. This means that SDIP's outcomes and focus areas are imprecisely stated and hence difficult to measure. The original and current SDIP designs have failed to adequately specify 'what success looks like'. This is compounded by the fact that SDIP does not have a functional program logic model in place nor adequate performance indicators (this is further explained in section 4.1)... (p. 14)</p> <p>...As a result of these design issues there is a disconnect between SDIP's the end-of-investment outcomes, the six focus areas, the actual work and success stories of the program, and SDIP's performance reporting and accountability... (p.14)</p>	<p>Agree. In the remaining period of implementation, DFAT will revise the Performance Assessment Framework (PAF) to adopt the six focus areas as outcomes. It will drop the higher level outcomes as they are agreed to lack utility and largely do not reflect the Partner's work. While DFAT considers this will resolve the existing disconnect between the outcomes on regional cooperation and the nationally focused activities of Partners, it understands that the broader outcomes were a key part of the rationale for providing funding to SDIP's second Phase. DFAT agrees the M&amp;E contractor inherited many of these design flaws and made efforts to reform the PAF.</p> <p>DFAT will not proceed with a third phase of SDIP and is carrying out a design process for a smaller investment to commence from 2021. DFAT will require all SDIP findings to be fully incorporated as part of the design. The South Asia Regional Section (SRG) will facilitate an independent appraisal of the new design documentation to ensure it complies with relevant standards for design, program logic and M&amp;E.</p> <p>SRG will consult with relevant Posts on the draft PAF to ensure they will have access to the information they need for their public diplomacy efforts.</p> <p>During implementation, SRG will embed an annual review of program logic into its program management at the time of the Aid Quality Check (AQC) to enable it to regularly check that it remains fit for purpose.</p>

...The design of SDIP and its PAF has evolved over time but the current PAF still suffers from a lack of clarity in the overall purpose and framing of SDIP. At the highest level, the broader objective for the 12 year period and the three end of investment outcomes are focused on promoting regional cooperation, which is not reflected in the investment strategies of partners. In addition, the program lacks a functional program logic model and suitable performance indicators to assess progress. The current PAF as developed by the M&E Contractor is hampered by some basic design flaws in SDIP that are outside of their control... (p. 43)

...DFAT needs to better articulate what success looks like for the program and ensure that SDIP complies with relevant standards for design, program logic, and M&E. The current six domains of change should be redrafted so that they are more thematic and sectoral, and these could then function as SDIP's end of investment outcomes...(p 50.)

...There is a degree of dissatisfaction with SDIP within some sections of DFAT, much of which stems from a lack of clarity on the purpose of the program and how it is expected to contribute to diplomatic objectives. This is further compounded by insufficient and/or not strategic enough communications between SDIP and Posts/Canberra. In addition, the management capacity within DFAT seems under resourced given SDIP's regional focus and the desire for SDIP to be facilitating public diplomacy outcomes. SDIP could benefit from the presence of locally employed regional coordinators who would be primarily responsible for connecting the work of SDIP partners with the diplomatic efforts of Post, as well as coordinating the work of partners in country...(p. 51)

## **2. Value for Money**

...There is consensus among the SDIP partners and many (but not all) of the stakeholders that SDIP is a good program that has achieved some important results. Unfortunately, SDIP is less visible in terms of demonstrating its results and showcasing its successes in Canberra. A majority of the stakeholders interviewed, more than 60%, felt that SDIP's M&E approach needed to be improved. In particular they stressed the need to have better clarity on the linkages between the work of partners and SDIP's outcomes

DFAT acknowledges the positive outputs and impacts of the SDIP Program across all sectors and by all Partners.

In future, DFAT will examine delivery options which enable it to focus on government to government linkages (G2G) while obtaining administrative and logistic support for program delivery.

<p>(line of sight from activities to outputs to outcomes), and an annual performance report that is suitable for nontechnical readers... (pp 42-43).</p> <p>...There is the opportunity for SDIP's M&amp;E approach to provide much greater value to DFAT. The PAF does not provide Posts with the information they need on progresses and successes to be able to reference and use SDIP within their wider public diplomacy efforts. The M&amp;E system is not feeding into a communication strategy for internal and external reporting. It does not allow partners to report on wider political insights and learning that DFAT can utilise in their wider work...(p.43)</p>	<p>From 2021, DFAT will tighten the scope of its investment to focus on water. The new investment will work to better align activities with Australia's clear comparative advantage and reputation, as identified in the Evaluation. A tighter sector focus, with a clear and accessible program logic, would support a better M&amp;E system, as well as improved communications and reporting. Accessible and succinct reporting will also assist public diplomacy activities.</p>
<b>3. Transboundary or bilateral approach to regional issues</b>	
<p>...Consideration also needs to be given to SDIP's regional focus. There are different ways that the program could be considered to be regional, including being a portfolio of initiatives working at different levels within the region (but not necessarily working on regional cooperation), facilitating the sharing of lessons and good practice between countries in the region, and promoting regional cooperation across boundaries... (p.50)</p>	<p>From 2021, DFAT will take a different approach to regional programming. DFAT recognises there are multiple options for addressing regional issues including supporting science diplomacy and transboundary dialogue as a way to reduce regional conflict over shared resources. Another approach to supporting sustainable management of transboundary resources focuses first on building the basic domestic capacities of Governments to manage their resources. Following eight years of engagement in science diplomacy and transboundary dialogue, DFAT's new investment will shift to the national level while retaining its focus on regional issues.</p>
<b>4. The 'nexus' framing</b>	
<p>...The water-energy-food nexus is a conceptually relevant and technically correct framing for SDIP. This includes the fact that the nexus concept is sector agnostic, allowing partners to work on a range of issues. In addition, given the political sensitivities around water and transboundary issues, the nexus provides an easier entry-point for discussing such issues. There is also some indication that the nexus has encouraged partners to consider these cross-sectoral connections when they might not have otherwise. However, nexus is a difficult concept to communicate to stakeholders and it is not clear whether it is the most appropriate way to define an aid program such as SDIP. The nexus approach, if defined as involving water, food and energy; does not appear relevant to all aspects of the partners' work...(p.30)</p> <p>...Alternative framings for SDIP could also be helpful, while sharing a similar objective to the nexus. For example, tackling climate change, sustainable livelihoods or even just water. At a minimum, SDIP needs to promote a</p>	<p>DFAT acknowledges the challenges of communicating the SDIP program's water, food and energy nexus framing. From 2021, DFAT will reduce the scope of its programming to better align with Australia's reputation and comparative advantage in water management. While it will focus on water, DFAT will mainstream both climate and gender into the new program. The design of the new program will consider the potential overlap with the Australian Water Partnership and explore options to effectively manage this.</p>

common understanding of the nexus concept by all partner organisations. SDIP also needs to clarify the pathways for partners to incorporate this approach in their activities and performance reporting...(p.30)

...Attention should be given to the limitations of the nexus framing... This same development outcomes could be achieved by adopting an explicit focus on climate change – which is by its nature cross-sectoral – but this would require partners to use climate information and data more than they are currently. ...Alternatively, dropping the nexus framing, and instead defining SDIP as a ‘water program’ could also retain this cross-sectoral focus, given that water is a resource required for most sectors. However, the potential overlap with the Australian Water Partnership would need to be managed... (p. 50)

## **5. Governance and Advisor Roles**

...The role of SDIP’s advisors has grown over time partly as a result of SDIP’s management needs and partly due to DFAT’s own staff shortages. Advisors have agreed work plans in place to determine their priorities. The advisors have clearly played an important role in the program’s successes and helped to showcase the added-value of SDIP being an Australian funded program. SDIP’s seven partners have consistently praised the technical skills and knowledge of the five advisors. In addition, while the advisors now know the region well, similar experts could be found locally which might enhance SDIP’s legitimacy (but would not contribute to the aim of showcasing Australian expertise)...(p.46).

...The SDIP advisors have fulfilled a very important role in the program and at the same time there is also some debate about the boundaries of their work. In the view of the evaluation team, their role should return to being primarily technical and capacity support to partners, as well as providing strategic guidance to DFAT, rather than any program management or coordination function. Employing additional local advisors could also be considered, although their role and purpose would need to be clear, given that SDIP partners themselves are subject experts...(p.51)

DFAT agrees that it has encountered difficulty in maintaining strategic oversight over the current wide range of activities and sectors, resulting in advisors undertaking program management roles from time to time. This has been due to DFAT’s staffing shortages.

DFAT recognises the SDIP Program was established in the context of an expected significant increase in the Australian Aid Program but has instead has absorbed funding reductions since inception. DFAT originally intended to have 3-4 of its staff managing the investment but has relied on one program manager supported by part-time inputs from Posts, for a number of years.

Through the investment design process for its new Program, DFAT will examine how to optimise program governance and accountability frameworks to ensure DFAT program managers can retain strategic oversight of activities, while having access to technical sector expertise where relevant.

## **6. Local Partners**

<p>...There is an opportunity to clarify the role of local partners in SDIP. ... Australia's long-term engagement with local partners also gives confidence to the partners that we are serious on knowledge generation and capacity building and this will support DFAT's public diplomacy goals... (pp 50-51)</p>	<p>Through the design process DFAT will examine how it can effectively engage with local partners.</p>
<b>7. Delivery model and Management Structure</b>	
<p>...SDIP's partnership model offers definite benefits and is highly appreciated by the implementing partners for the flexibility it provides. The partners appear to have the right skill set and resources to deliver their agreed scopes of work. The mix of partners, including both Australian and regional organisations, provides an opportunity for them to learn from each other, utilise respective strengths and knowledge, and work together to collectively navigate the complex operating environment. However, the potential benefits from a partnership model is not currently being fully maximised and the risks it brings are also not being fully managed. In particular, this relates to the design of the programme and how it is being monitored, and the communication channels between partners and with DFAT...(p.34)</p> <p>...In the experience of OPM's evaluation team, governance arrangements in flexible adaptive investments tend to be very complex or alternatively these considerations receive limited attention. While SDIP is actively managing certain risks through annual partnership health-checks and regular technical discussions with the advisor team; it was not clear to the evaluation team how the full range of risks is being managed. For SDIP has a number of different types of risks: risks relating to SDIP's design as a whole; risks related to operating in the South Asian region; risks related to DFAT's own staffing constraints; risks related to individual SDIP partners, and risks related to particular projects. The evaluation team found it difficult to fully comprehend SDIP's approach to governance, and who is being held accountable for what... (p.44)</p>	<p>DFAT agrees that there are pros and cons to the partnership model. Given its interests in improving strategic oversight of activities, enhancing lines of accountability, improving governance and focusing on direct G2G linkages, DFAT will shift back to traditional programme management as part of the new Design.</p>
<b>8. Communications and Public Diplomacy</b>	
<p>...There is a mixed picture on the extent to which partners' work appears to have benefited from and be showcasing Australian expertise. SDIP has effectively leveraged public diplomacy in Nepal and Pakistan. For the Australian SDIP partners, this link is immediate. For IFC, TAF and the SAWI</p>	<p>For its final year, DFAT has significantly revised the structure and length of the SDIP annual report to provide a more accessible product for Posts and other stakeholders.</p>

program, the Australian influence and footprint appears to be limited with very few Australian experts involved. Some of the local sub-partners that were implementing the main partners' work are not aware of where their funding ultimately comes from...(p.28)

...Regional stakeholders believe that Australia has a legitimate role in providing technical support to national and state governments in response to their requests for assistance. However, political tensions between national governments in the region are a significant impediment to wider cooperation. So, while SDIP's objective of fostering collaboration and partnership -- at the regional level -- for improving integrated management of the water, energy, and food at the basin level is still a work in progress, the initiatives undertaken through SDIP have definitely contributed to improved water resources management within countries...(p. 28)

...Australia is highly regarded for its skills in efficient water resource management, dry land agriculture, and its experience in managing the cross boundary political issues in the Murray-Darling Basin.... (p. viii)

...The Annual Dialogue forum is valued by partners, although it is not sufficient for ensuring communication between partners and encouraging collaboration. Sub-partners consistently reported that they required more and better information about SDIP's activities in their country. DFAT staff in Bangladesh, India and Canberra felt strongly that better communication products were required from SDIP in order to support program oversight and public diplomacy activities... (p.48)

...There is a need for greater clarity about when the work funded by SDIP is expected to contribute to Australia's diplomatic efforts, and when it is primarily about development results. The diplomatic added value of SDIP could be enhanced by having a more explicit capacity building component by connecting partners with Australian expertise, having more local – international partnerships, and perhaps some additional budget for visits and training in Australia. Key informants also suggested SDIP should have more communications and outreach targeting national stakeholders and use DFAT's Posts more consistently to highlight SDIP's achievements...(p. 51)

As part of its new program design DFAT will work to ensure the new program prioritises communications and public diplomacy. DFAT will scope its investment to reflect Australia's strong reputation for water management and enable it to better communicate its goals and approach. DFAT will focus on sharing Australia's experience and expertise managing scarce water resources. DFAT will ensure program activity briefs and reports are succinct, and disseminated regularly to posts and partner governments, with feedback used to facilitate continuous improvement.

<b>9. Gender</b>		
<p>...By and large, there is evidence across all the portfolio of increased attention towards and sensitisation on gender mainstreaming, in line with DFAT's standards vis-à-vis gender equality. However, there are different levels of effort and success on gender mainstreaming across partners. TAF, ICIMOD and ACIAR have had greater success, mostly given prior organisational mandate, programmatic focus as well as more gender balanced interventions. Partners' reporting on gender has seen definite improvements but this is often restricted to separate chapters and headings and is not yet mainstreamed across all aspects of their operations... (p.20)</p> <p>...Collectively, the efforts at mainstreaming gender represent incremental and important progress towards a greater understanding of and internalisation of why gender equality remains a key priority in traditionally gender-blind domains/sectors. Notwithstanding these achievements, there is a need for a further strengthening of gender integration in any future phases of SDIP. This pertains to three key aspects: (i) overall mainstreaming within and across the program with greater gender based reporting of outcomes and existing and emerging impacts; (ii) the need to collate and synthesise gender results and package them as operational or policy recommendations/lessons learnt or best practices in a user-friendly way; (iii) the variations offered in terms of local contexts and gender situation/issues are sharp and strategies/interventions for each area need to be tailored accordingly... (p.52)</p>		<p>DFAT will ensure that its new program is guided by an overarching gender mainstreaming strategy to be developed in the inception phase. DFAT will examine ways to ensure partners do not report on gender as separate chapter or sections but mainstream gender considerations in reporting.</p>
<b>10. Climate Change</b>		
<p>...SDIP is DFAT's only climate change investment in South Asia. For a recent comprehensive description of SDIP's work in promoting resource efficiency see: IOD PARC 2019, 'An evaluative enquiry of the resource efficiency work funded through SDIP – Highlights Paper'. SDIP partners are contributing to climate change adaptation and mitigation by supporting the efficient management of water, promoting conservation agriculture practices, facilitating reductions in CO2 emissions by businesses, improving access to</p>	N/a	



renewable energy, through undertaking demonstration projects and sharing the lessons across national borders, and by carrying out research to raise awareness amongst policy makers and the public. In summary, SDIP has made a significant contribution to climate change adaption and mitigation (particularly given the size of its budget), with considerable potential for the further scaling up of activities...

#### **11. Prioritising for budget reductions**

...SDIP's funding is being allocated to partners on the basis of approved investment strategies but it is difficult to know if this represents value for money. The amount of budget received by each partner varies significantly. A comprehensive and quantitative assessment of value for money question would require an examination of each partners' budget and comparing this with number of outputs and outcomes achieved which is beyond the scope of the current evaluation... (p. 49)

...However, in general, the partners appear to be satisfied with SDIP's strategy and budgeting processes. Even in the case of ACIAR, where the budget and strategy were delayed by a year, they seem to understand and value why it was necessary to change the scope of their work. In contrast, several DFAT stakeholders expressed confusion about the basis for financial allocations across individual partners and requested greater transparency in decision making...(p.49)

...SDIP should be developing its own program logic as to how results may be achieved and identifying the assumptions that are inherent in this logic. Over time SDIP can then examine and test what works and adjust its strategies accordingly.

In considering where best to invest its programming efforts, DFAT should consider:

- The key development constraints that need to be addressed;
- The degree of domestic political support for implementing reforms within a country;

Following the completion of SDIP Phase Two, DFAT will seek to develop its own program logic focusing on the areas outlined by the evaluation team: addressing key development constraints where they intersect with domestic support for reform, Australia's national interests and its comparative advantage versus other donors. DFAT will consider these in conjunction with its development cooperation policies, when constructing its program logic and identifying which geographic locations and what types of support to provide. This process will also favour appropriate partner selection.

- Australia's own national interests; and
- Australia's comparative advantage versus other donors.

Australia has the opportunity to deliver effective programming by positioning itself where these four considerations intersect and come together... (pp 31-32).

...Each of the seven SDIP partners offers well developed and unique skills that enable them to contribute to SDIP's outcomes. A judgement on whether the current mix of partners is appropriate will first require deciding on how SDIP should prioritise its outcomes, types of interventions and areas of focus...

...Some stakeholders raised concern about SDIP's limited engagement with local partners and organisations. SDIP's main international partners sometimes faced challenges of understanding the local context and designing appropriate interventions. One of the stakeholders said, 'Local partners are important to sustain any donor support beyond the project duration as they will be housed in the country and have moral responsibility to take over the work (which is not something that the international agencies are able to do)'... (p.39)

...The evaluation team would not recommend 'across the board' cuts to the budgets of partners, as this would reduce the impact of all partners and the program itself. Rather, it is suggested consideration be given to dropping some of the partners. This should be based on a review of SDIP's broader purpose and scope, the value for money generated by each of partners, and the priorities of Australia and regional government partners... (p.52)