



# Cluster evaluation of AusAID-World Bank and AusAID-ADB Facilities 2012

## Management response

December 2012

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### 1.1 Aid Activity Summary: AASADPF (Asian Development Bank)

Aid Activity Name	AusAID-ADB South Asia Development Partnership Facility		
AidWorks initiative number	ING236		
Commencement date	18 June 2006	Completion date	30 April 2013 <sup>1</sup>
Total Australian \$	14 million (\$9,435,000 disbursed by end 2010)		
Total other \$	\$641,650 (partner governments), \$300,000 from Norway (Oct 2008), \$288,000 from Sweden (June 2008), \$1 million ADB.		
Implementing Partner(s)	Asian Development Bank		
Country/Region	Bangladesh, Bhutan, Maldives, Nepal, Sri Lanka (a project approved in Pakistan was cancelled).		
Primary Sector	Service delivery, economic growth		

#### Aid Activity Objective:

Primary objectives of the AASADPF are to:

1. Advance necessary reforms (including ensuring the participation of end users in service delivery);
2. Promote broad-based and inclusive economic growth; and

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<sup>1</sup> Likely to be extended to 30 September 2014

3. Introduce improvement in key development areas by addressing the major development challenges faced by South Asia, through five key areas of cooperation:
  - Enhanced governance particularly at the local level.
  - Urban development including mega cities, secondary cities, and towns, and associated issues such as municipal financing of infrastructure and public-private partnerships.
  - Promotion of inclusive growth.
  - Human resource development, particularly in improving service delivery in education, health, water and sanitation; and other such social services.
  - Regional cooperation and integration.

## 1.2 Aid Activity Summary: PFSDS (World Bank)

<b>Aid Activity Name</b>	AusAID-World Bank (SAR) Facility for Decentralisation, Local Governance and Service Delivery		
AidWorks initiative number	ING236		
Commencement date	2006	Completion date	30 March 2013
Total Australian \$	USD7.3 million		
Implementing Partner(s)	World Bank		
Country/Region	Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan, Sri Lanka		
Primary Sector	Service delivery, incorporating economic governance, local government, infrastructure (energy, transport, water and sanitation), health and education		

### Aid Activity Objective:

PFSDS provides grant funding to support South Asian Governments develop and implement the institutional and policy reforms needed to support local service delivery reforms through a focus on the relationship between decentralisation and service delivery, in particular the fiscal, administrative, regulatory and accountability relationships and linkages at the national, state and local government levels in South Asia.

## 1.3 Independent Evaluation Summary

**Evaluation Objective:** The cluster evaluation of these programs aims to assess overall performance of the two facilities and to identify lessons for future support. The purpose of the evaluation is to:

- Compare the performance of the two funds to their objectives (i.e. discuss how well have these been met and describe significant outcomes<sup>2</sup> and achievements).

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<sup>2</sup> To the extent possible given time limitations and limited data on outcomes

- Identify what has worked well and what hasn't with the two programs;
- Assess how AusAID might improve engagement with its partners, and;
- Present forward-looking lessons and recommendations to guide the next phase of AusAID engagement with the multilateral development banks in South Asia<sup>3</sup>.

**Evaluation Completion Date:** 18 May 2012

**Evaluation Team:** Raymond Mallon, Evaluation Consultant, Evaluation Team Leader  
Simon Ernst, Director, Performance Policy and Systems, AusAID

## 1.4 Management Response

The evaluation is comprehensive. It found that overall these programs had performed effectively and were delivering results, and also identified ways to strengthen the partnerships with AusAID. Identification of the relative strengths and weakness of each Facility provides a platform for developing future phases of each Facility, aligning activity with AusAID's regional strategy 2012-16, and for developing partnerships with each of the Banks at a broader level. More detailed information around individual World Bank projects would have been beneficial for understanding the operation of the facility and for future cooperation. Monitoring, Evaluation and Knowledge Management at different levels were identified as requiring most improvement, particularly at the World Bank facility. Communication was also broadly identified as an area that should be strengthened. Many of the recommendations overlap and fall under these two broad areas, and AusAID will work to ensure that these are embedded into the design of subsequent phases of each Facility and that AusAID plays its role in the effective management of the facilities.

It is important to consider that implementing the recommendations will require additional investments in terms of financing and human capital. AusAID is considering financial investment on a larger scale than has been made previously, and is seeking to optimise its human resource efficiency through strengthening partnerships with both Banks. Implementation of the recommendations, particularly those around development of robust monitoring and evaluation frameworks and improved communication between partners, will support the visibility of the projects and support building the relationships and accountability required in scaling up of partnerships with multilateral organisations at regional and agency level. Enhancing visibility will also require improved communication with host governments, NGOs, and media.

AusAID's proposed actions on the recommendations are detailed below. Because of overlap in the recommendations we did not separately address all twenty.

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<sup>3</sup> The evaluation objectives and terms of reference were circulated to the two facilities for comment prior to the field mission

Recommendations	Response	Actions
<p><b>1. Sub project outcomes.</b> AusAID should:</p> <ul style="list-style-type: none"> <li>• review options to ensure that adequate shares of resources are allocated to the poorer regions and countries</li> <li>• increase the cap on sub-projects budgets to allow more substantive, and longer term support to better address core cross-sector constraints, and to facilitate piloting of institutional development initiatives.</li> <li>• consider providing more flexibility in financing guidelines to allow the financing of priority needs, rather than primarily focusing on financing consultant costs</li> </ul>	<ul style="list-style-type: none"> <li>• AusAID agrees on the need to distribute activities better to target the poorest while also focusing on areas where there is the greatest capacity to make a difference. However there is a potential conflict with the other recommendations.</li> <li>• AusAID will consider increasing the cap on sub-projects to increase effectiveness and potential sustainability of investments. Given limited human resources of AusAID in the region, this may also offer greater efficiency for AusAID oversight and represent better value-for-money. We note however that this has the potential to risk fewer projects being funded, and also to change the way that we do business.</li> <li>• Co-financing options, in addition to technical assistance may allow more flexibility for financing and designing activities that align with AusAID's broader priorities (such as gender) for which governments are reluctant to borrow funds.</li> </ul>	<ul style="list-style-type: none"> <li>• AusAID will improve dialogue with the Banks to ensure that options to support targeting more activities in lagging regions are incorporated into the design of Phase 2 of both facilities and are discussed regularly.</li> <li>• AusAID will consider, with the WB and ADB, the appropriateness of a higher monetary cap (for example \$1 million) and longer time frame for the projects.</li> <li>• AusAID will also identify other strategies for ensuring that available funding can be maximised to meet mutual development goals. This may include reviewing options for linking annual funding levels to performance against the objectives of the RSA (e.g. commitments and disbursement), robust results reporting, and giving AusAID some flexibility to adjust funding allocations on an annual basis if desirable. As part of this, formal performance assessment processes and indicators should be outlined in agreements with MFI partners.</li> </ul>

Recommendations	Response	Actions
<p><b>2. Monitoring, Evaluation and Knowledge Management</b></p> <ul style="list-style-type: none"> <li>• Agree a shared performance management and results framework for each facility with clear, targeted, phased outcomes.</li> <li>• Agree on strategies and actions for reporting and communicating results in accordance the results reporting framework (linked to agreed regional development goals and targeted outcomes).</li> <li>• Design sub-project monitoring systems to quickly identify and address delays between project approval and start-up.</li> <li>• Organise annual regional workshops in regional centres to report on facility results and share success stories of each facility.</li> <li>• A further 5 sub-recommendations identified improved communication and building linkages as priorities.</li> </ul>	<ul style="list-style-type: none"> <li>• AusAID accepts these recommendations, noting the value and need for improved M&amp;E and results reporting frameworks.</li> <li>• Consideration will need to be given to the Performance Assessment Frameworks for each pillar of AusAID's Regional Situational Analysis (regional integration and climate change/water resource management).</li> <li>• The number of cross cutting issues may need to be minimised to ensure that we can report on outcomes.</li> <li>• AusAID's transparency agenda provides a framework for improved communication with partner governments, stakeholders, target groups and the Australian public.</li> <li>• Increasing visibility of activities under this agenda, including by enhancing AusAID presence at major events and meetings, will require additional budget and human resources.</li> </ul>	<ul style="list-style-type: none"> <li>• AusAID will give careful consideration to the design of future phases of each facility, in particular as it relates to the Results Framework, the focus of activities funded, the need to retain flexibility, linking outcomes to poverty reduction, agreement around communicating results, measuring of results by gender, and time-linking project milestones.</li> <li>• AusAID will also play a greater role in monitoring of outcomes in Phase 2 of both facilities, and seek opportunities for joint monitoring missions.</li> <li>• AusAID has commenced developing a more formal Partnership Framework with both banks, which will provide scope for increased visibility of results, opportunities for cross-learning and exchange of ideas (including within AusAID and the academic sector), annual workshops, twice-yearly discussions, quarterly video discussions, increased frequency of reporting to every three months, and opportunities for 2-way exchanges.</li> <li>• AusAID will raise with each of the Banks the possibility of a separate budget line for communications activities under each Facility.</li> <li>• AusAID will consider the viability of strengthening the role of regional staff to undertake sub-monitoring.</li> <li>• AusAID will improve internal communications between its Posts to ensure stronger information sharing and knowledge management.</li> </ul>

Recommendations	Response	Actions
<p><b>3. Partnerships</b></p> <ul style="list-style-type: none"> <li>AusAID should build on the achievements, networks, and experiences gained under the two facilities. Looking forward AusAID should explore with partners all options to help strengthen partnership structures.</li> <li>AusAID should consider designating technical experts (e.g. in regional economic integration, and gender in development) to engage in technical aspects of the facilities supported activities. Consider outsourcing additional technical expertise where needed.</li> <li>AusAID needs to ensure that results and knowledge management, and priority crosscutting concerns (e.g. gender and disability) are specifically addressed in future program designs.</li> <li>AusAID could consider working with only one Bank.</li> </ul>	<ul style="list-style-type: none"> <li>AusAID considers that development of appropriate partnership agreements and tools is central to improving monitoring and evaluation, communications efforts, knowledge management and risk management.</li> <li>AusAID recognises the benefit of and need for technical experts, and will prioritise areas where Australia has comparative advantage - in line with the Agency's aid policy <i>Effective Aid</i>.</li> <li>AusAID considers that each Bank has a role to play and has comparative strengths.</li> </ul>	<ul style="list-style-type: none"> <li>AusAID is working with both Banks to strengthen region wide partnerships. With the World Bank, we have developed a partnership framework to guide the relationship in South Asia that will be implemented over the coming years.</li> <li>With the ADB, we also agreed to strengthen the partnership in South Asia at the High Level Consultations in September 2012. Issues of improving partnership dialogue, development of workplans and working on cross cutting issues will be addressed under these partnership arrangements.</li> <li>Noting the resourcing implications of scaling up partnership arrangements with both Banks, AusAID will continue to work with each of the Banks in consideration of the relative strengths of each.</li> <li>Under the agreements for Phase 2 of each facility, AusAID will work with each of the Banks to identify scope for engaging technical expertise, especially in climate change and regional economic integration, particularly in areas of Australian comparative advantage.</li> <li>Coordination and aid effectiveness will also be areas of focus for AusAID for the next phase of both facilities (although the evaluation did not cover this in detail).</li> </ul>



Recommendations	Response	Actions
<p><b>4. Regional cooperation</b></p> <ul style="list-style-type: none"> <li>• Adopt a pragmatic approach to supporting regional integration that recognises the critical role of central and sub-national governance and service delivery to boosting regional integration and to ensure that poor households and lagging regions benefit from regional integration.</li> <li>• Target some activities aimed at achieving quick results to help build community support for regional cooperation , reducing barriers to re-establishment of traditional trade linkages (e.g. in northern Sri Lanka), tourism facilitation, and supporting practical SASEC endorsed initiatives to help the lagging (poorer) north-east sub-region of South Asia).</li> <li>• Explore opportunities to directly support ADB's strategy to support trade facilitation in South Asia.</li> <li>• In planning and developing support for regional cooperation, it is important to draw on the experiences and lessons learned from multilateral support for the Greater Mekong Subregion initiative.</li> </ul>	<ul style="list-style-type: none"> <li>• AusAID sees considerable potential in using regional integration as a vehicle for promoting inclusive growth and poverty reduction in South Asia. We see value in a pragmatic approach to this complex issue to ensure results are achieved.</li> <li>• AusAID sees value in supporting some activities that achieve quick results, where that aligns with our long term goals.</li> <li>• AusAID recognises the strengths of ADB in aspects of regional integration, particularly trade related infrastructure and trade facilitation.</li> <li>• The experiences and lessons learned from multilateral support to other AusAID initiatives (such as the Greater Mekong Sub-region) will inform planning and developing support.</li> </ul>	<ul style="list-style-type: none"> <li>• AusAID will adopt a pragmatic approach in supporting the regional integration agenda and transitioning away from support for service delivery through regional programs.</li> <li>• We will encourage the ADB to undertake the necessary disaggregated analysis for promoting inclusive growth and positive outcomes for especially poor traders, women traders, informal traders and SMEs involved in cross-border trade.</li> <li>• Phase 2 of both the ADB and World Bank facilities will incorporate activities that focus on climate change and regional economic integration. Both banks can consider opportunities to work at the bilateral level with AusAID in the priority areas through our country programs, building on the work of Phase 1 of the regional facility.</li> <li>• AusAID has identified that ADB and the World Bank can contribute effectively to REI, and will work to the strengths of partners to achieve our objectives in this area of work.</li> <li>• AusAID will consider options for sharing experiences from the Greater Mekong Subregion project, such as conferences. Any platform for sharing and knowledge and views will be carefully focused to ensure that they can inform REI work under Phase 2.</li> </ul>

