



# South Asia regional, India, Maldives and Bhutan development cooperation report 2010

July 2011



## Contents

<b>Context</b>	<b>2</b>
South Asia region	2
India	3
Maldives and Bhutan	4
Australian aid through the South Asia Regional, India, Maldives and Bhutan programs	4
<b>Program objectives</b>	<b>4</b>
Expenditure	5
The figures in this table only represent expenditure in 2010–11 for programs that are reported in this Development Cooperation Report.	5
<b>Progress towards objectives</b>	<b>5</b>
Objective 1: To promote inclusive economic and social development through improved access to and quality of basic services and enhanced economic management and integration	6
<b>Health—HIV/AIDs</b>	<b>6</b>
<b>Water and sanitation</b>	<b>6</b>
<b>Governance</b>	<b>7</b>
<b>Human resource development and education</b>	<b>8</b>
Objective 2: To enhance adaptation of communities affected by climate change through enhanced water resource management and food and energy security	9
<b>Climate change</b>	<b>9</b>
<b>Program quality</b>	<b>9</b>
<b>Next steps</b>	<b>10</b>



Australia's development assistance to South Asia includes bilateral programs to Bangladesh, Bhutan, India, Maldives, Nepal, and Sri Lanka as well as a regional program that targets challenges common to the countries in the region. This report summarises the aid program's progress in 2010 towards the objectives of South Asia regional, India, Bhutan and Maldives programs. It complements stand-alone reports being developed for Bangladesh, Sri Lanka and Nepal programs to provide a fuller picture of Australia's development assistance to South Asia. Reports on South Asia programs' progress in previous years are available on the Australian Agency for International Development's (AusAID's) website.

## Context

### South Asia region

South Asia's regional growth, accelerated to an estimated 8.7 per cent in 2010–11 from 7.0 per cent in 2009–10. This was buoyed by very strong growth in India, which represents 80 per cent of regional growth. However, growth in the region is concentrated in certain sub-regions, particularly in their large urban centres. Disadvantaged sub-regions with poorly connected infrastructure, trade and political arrangements, vulnerable groups (for example, marginal ethnic and caste groups) and women are falling further behind. More inclusive development is needed to achieve the Millennium Development Goals and support the estimated 40 per cent of the population (560 million people) that still live on less than US\$1.25 a day.

Over recent years, the South Asia region has made progress in meeting Millennium Development Goals targets including reduced under-five mortality rates, increased school enrolments and improved gender equality in primary and secondary schools. However, many challenges remain. South Asia has both the highest rates and the largest numbers of malnourished children in the world. Maternal mortality rates are high in India, Bangladesh and Nepal and the majority of births are not attended by skilled health professionals. Women have only half as many years of schooling as men and almost half of the adult women in South Asia are illiterate. Dropout rates for girls across the region are higher than those for boys. More than 900 million people (66 per cent of total population) live without access to adequate sanitation. In rural areas, 76 per cent of the population do not use improved sanitation and in urban areas the figure is 34 per cent.<sup>1</sup> The threat of HIV/AIDs is an area of emerging concern with high-risk behaviours and infection rates growing in parts of the region.

There is growing recognition that regional cooperation through trade, economic integration and management of shared water resources could spur even faster growth in South Asia, reduce the gap between leading and lagging regions and reduce vulnerabilities for the poor. However, political currents in South Asia are hindering effective regional cooperation. South Asia remains the least integrated region in the world. Intra-regional trade accounts for about 5 per cent of trade in South Asia<sup>2</sup>, compared to more than 20 per cent for East Asia. The South Asian Association for Regional Cooperation is the main driver of enhanced economic cooperation and trade. However, its effectiveness continues to be constrained by technical

<sup>1</sup> Water and Sanitation Program, Scaling-Up Rural sanitation in South Asia: Lessons Learned for Bangladesh, India and Pakistan, May 2005.

<sup>2</sup> Moving Up, Looking East: World Bank South Asia Economic Update 2010.





## Maldives and Bhutan

Both the Maldives and Bhutan are registering steady progress in social and economic indicators. They are transitioning from least developed to middle-income status. Nevertheless, common challenges remain. Economic development continues to rely on a narrow sectoral base. As young democracies, democratic processes are still fragile and both countries are trying to reform their governance institutions. Environmental vulnerability remains an issue, underscoring the need to mitigate the impact of climate change. Continued social and economic development is affected by a shortage of skills with both countries relying heavily on foreign labour. Education systems do not produce enough quality skilled workers geared towards the needs of labour markets. Youth unemployment is also a common development challenge.

## Australian aid through the South Asia Regional, India, Maldives and Bhutan programs

The South Asia regional program targets major challenges common to the countries of South Asia. This includes issues such as climate change, water resource management, strengthening economic management and tackling HIV/AIDS. The development of a new South Asia regional strategy in 2011 will provide the opportunity to further refine transboundary priorities (for example, water resource management and regional integration) where Australia can add value.

In 2010, Australia, drawing on its experience and scientific expertise, was refocusing its development program in India towards increased support for technical exchange on renewable energy, energy efficiency and water resource management.

The scholarships program, through Australia Awards, is the major focus of Australia's aid to the Maldives and Bhutan. In the Maldives, Australia also provides assistance for climate change, civil society development and governance. In Bhutan, Australia contributes to the World Food Programme's school-feeding program and supports governance and capacity building under the South Asia Public Sector Linkages Program (PSLP). A small amount of humanitarian assistance has been provided for post-tsunami reconstruction in the Maldives and post-earthquake reconstruction in Bhutan.

## Program objectives

In 2010, there was an absence of formalised strategies for the South Asia regional, India, Maldives and Bhutan programs. The previous South Asia Strategy which covered South Asia regional, India, Maldives and Bhutan as well as Bangladesh, Sri Lanka and Nepal programs had expired and new stand-alone strategies were being developed for each of the bilateral and the regional program. As a consequence, Australian aid through the South Asia regional, India, Maldives and Bhutan programs in 2010 was assessed against two interim objectives. These are a description of general intent rather than statements of measurable outcomes:

- > To promote inclusive economic and social development through improved access to quality basic services; and
- > To enhance adaptation of communities affected by climate change through improved water resources management and food and energy security.

## Expenditure

Table 1 shows that \$15.27 million was expended on promoting inclusive economic and social development through improved access to quality basic services and \$1.5 million on enhancing adaptation of communities affected by climate change through improved water resources management and food and energy security. This represents 91% and 8.9% respectively of the total expenditure for the South Asia regional, India, Maldives and Bhutan programs reported in this publication.

**Table 1: Estimated expenditure under the South Asia regional, India, Maldives and Bhutan programs in 2010–11**

Objective	A\$ million <sup>a</sup>	% of bilateral/ regional program
To promote inclusive economic and social development through improved access to and quality of basic services and enhanced economic management and integration	15.27	91.06
To enhance adaptation of communities affected by climate change through improved water resources management and food and energy security	1.5	8.94

<sup>a</sup> The figures in this table only represent expenditure in 2010–11 for programs that are reported in this Development Cooperation Report.

## Progress towards objectives

Table 2 summarises the progress in 2010 towards the interim objectives for the South Asia regional, India, Maldives and Bhutan programs. The majority of individual activities were progressing well. However, in the absence of formalised strategies with measurable objectives and performance assessment frameworks, it is difficult to justify rating strategic high level objectives as being ‘fully’ addressed. Consequently, both interim objectives are rated as ‘partially’ achieved. A new strategy for the South Asia Regional program—including mini strategies for Maldives and Bhutan—to be finalised in the second half of 2011 will reflect findings of the *Independent Review of Aid Effectiveness* and articulate clearly defined and mutually agreed objectives.

**Table 2: Ratings of the program’s progress in 2010 towards the objectives of the Asia regional, India, Maldives and Bhutan programs**

Objective	Rating in 2010	Relative to previous rating
To promote inclusive economic and social development through improved access to and quality of basic services and enhanced economic management and integration		N/A
To enhance adaptation of communities affected by climate change through improved water resources management and food and energy security		N/A

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: To promote inclusive economic and social development through improved access to and quality of basic services and enhanced economic management and integration

### Health—HIV/AIDS

High-risk behaviours and infection rates of HIV/AIDS are growing in the region. India, Nepal and Bangladesh, in particular, have large numbers of injecting drug users and people living with AIDS.

In India, Australian assistance through the Joint United Nations Program on HIV/AIDS has strengthened public sector capacity to respond to HIV infections in high-prevalence states in the north east by supporting a sub-national office of the National AIDS Control Organisation. An independent mid-term review (MTR) completed in March 2010 showed that achievements in capacity building included additional staff resources for planning and monitoring of HIV program and evidence of mainstreaming of HIV issues into state departments such as the Department of Women and Child. Another result of the program was a strengthened state response to supporting people living with HIV/AIDS, which included an increased focus on complications arising from AIDS such as Tuberculosis and Hepatitis C. The MTR showed that while new infections among injecting drug users have declined as a result of program efforts and inputs from government, civil society and other stakeholders, the transmission of the virus is increasing through heterosexual activity. This needs to be factored into future program plans.

Regionally, Australian investment through a project led by the United National Office of Drugs and Crime is assisting governments and communities to scale up comprehensive harm reduction prevention and care programs for injecting drug users and their regular sex partners. Activities include advocacy for initiation and scale up, capacity building and support of intervention sites. An independent MTR completed in April 2010 showed that the project is supporting 45 demonstration sites in seven countries to provide harm reduction services. This includes the first-ever methadone maintenance treatment centre in Bangladesh. A number of pilot interventions have been shown to be effective and this has led to the scale up of services and leveraged further funding from other donors. For example, in India, the project initiated an oral substitution therapy centre and subsequent evidence demonstrating its feasibility has been used by the National AIDS Control Organisation to take over the existing intervention centres and scale up to 50 oral substitution therapy centres.

### Water and sanitation

Access to safe water and adequate sanitation are essential for health, economic growth and sustainable development. South Asia has some of the lowest coverage rates for these essential services, particularly in rural areas. Poor quality of services is also a problem.

Regionally, through a five-year partnership with the World Bank Water and Sanitation Program (WSP)—in which Australia provides one fifth of total funds—technical assistance to inform government decision making has contributed to improved planning, service delivery and pricing policies. For example, in Bangladesh, 660 000 people are now drinking water that is safe from arsenic contamination following WSP support to local government to replicate a pay-for-use source testing, marking and switching program. In India, safe solid waste treatment services are being delivered to 1.8 million people following technical assistance to



establish a regional treatment and landfill facility based on a public-private partnership. In Bangladesh, WSP has provided technical options and credit facilities for entrepreneurs to support market-based mechanisms to improve the quality and sustainability of latrines, benefiting 16 000 consumers.

### Governance

Poor economic governance is a serious impediment to inclusive growth and regional integration in South Asia.

Regionally, Australian funding through the AusAID- Asian Development Bank South Asia Partnership Facility is supporting initiatives to improve local governance, urban infrastructure and service delivery, inclusive growth, human resource development and regional cooperation and integration. For example, an independent MTR conducted in February 2010 showed that Australia's support to the financial sector in Bhutan contributed to the formulation of the country's economic development policy, Industrial Investment and Enterprise Registration Acts and labour law regulations. This in turn helped the private sector and tourism to grow. Australian investment also helped to reseal about 328 km of the East-West highway in Bhutan. This will facilitate readier access to school and basic health services as well as develop electricity grids to support about 9200 rural consumers, hospitals, schools and other public facilities. In the Maldives, Australian assistance has enhanced the capacity of the Ministry of Finance and Treasury to prepare internal audits in line with the recently established Public Accounting System.

Regionally, Australia's support to the World Bank's Service Delivery Improvement Facility for South Asia is having a catalytic impact on policy and institutional reforms to enhance basic service delivery and to improve economic governance with a pro-poor focus. For example, Australia's contribution enabled the bank to engage in policy discussion in India's secondary education sector. This resulted in students, for the first time, taking the Organisation for Economic Cooperation and Development's Programme for International Assessment test to compare educational outcomes in India against other countries. In Pakistan, the property tax administration work Australia supported contributed to the training of tax officers in Punjab Province to implement the new property tax reforms. In Bhutan, Australian assistance has helped with the preparation of new human resource rules and regulations consistent with the mandates and responsibilities of urban local governments.

The Regional PSLP is strengthening linkages between Australian public sector agencies and universities and counterpart institutions and building capacity to improve management and delivery of government services. Australian support has enabled the establishment of the Legal Information Institute of India. This is a free-access, not-for-profit online collection of Indian legal information benefiting the legal profession, general public and private sector. In 2010, 50 databases were established and new content is being added each week. In Bhutan, PSLP assisted the Ministry of Education to better manage school resources by developing the Schools Resource Management Information System and training more than 50 staff. In addition, the University of Sydney has engaged with counterparts in health organisations and academia to develop the South Asia Infant and Young Child Feeding Research Network. This network coordinates research and information sharing to implement effective interventions for improving infant and child feeding in the region.

In India, the PSLP program has a strong focus on transferring technology and building linkages in the areas of food and energy security and climate change. These issues reflect priorities under Australia's Strategic Partnership with India. The Department of Environment



successfully led a mission to India and developed an action plan in cooperation with the Indian Ministry of Water Resources to address water resource management issues. In Tamil Nadu, as part of a long-term partnership between the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and the Indian Institute of Forest Genetics and Tree Breeding, PSLP funding has increased farmer access to improved varieties of tree seeds through the establishment of three community orchards. University of Sydney has worked with the Agharkar Research Institute in Pune to enhance capacity in the exploitation of wheat genetic resources for improved dry land farming in India.

A review of the PSLP program across all country and regional program areas was conducted early 2011 to assess program relevance and efficiency and inform the redesign of the next phase (2011–16).

#### Human resource development and education

Regionally, the Australia Awards program, which includes the Australian Development Scholarships (ADS) and Australian Leadership Awards (ALA), plays a critical role in strengthening the capacity of the public and private sector. In Bhutan and Maldives, information from scholarship records and anecdotal evidence shows that almost all ADS students return and contribute effectively to the development needs of their respective countries. Feedback from both governments indicates that the scholarship program contributes to addressing human resource needs in each country. The planned introduction of tracer studies in 2010 to better measure effectiveness of the scholarship programs was delayed and will be implemented in 2011.

Numbers of new participants in each country in South Asia in 2010 is provided in Table 3. The gender balance for ADS and ALA is generally good although women’s participation in ADS in Bhutan tends to be lower than other South Asia countries.

In Bhutan and Maldives, the traditionally narrow focus of Australian assistance for human resource development through the ADS and ALA program is expanding to include an education sector volunteers program in Maldives, support for the Royal Institute of Management in Bhutan and implementation of the PSLP in both. In the Maldives, 14 volunteers were deployed as part of a pilot program which helped local teachers develop curriculum and standards for basic education. In 2011 work will continue to develop a broader and more integrated human resource development plan for both countries. For example, short-term training in-country and a focus on technical and vocational education for youth.

In Bhutan, for more than 10 years, Australia has assisted children from remote rural villages to attend school by providing a school feeding program in partnership with the World Food Programme. Under the program, the net primary enrolment rate increased 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. Attendance rates have also dramatically increased. This impressive achievement is partly attributable to the school feeding program. In 2010, the program supported some 36 000 students across the country with two meals a day. The Australian Government is the main contributor to the program.

**Table 3: Australian Awards by South Asia country and gender, 2010**

Country	2010				
	Australian Development Scholarships	Australian Leadership Awards (ALA)	ALA Fellowships	Endeavour Awards	Total Australia Awards



	Male	Female	Total	Male	Female	Total			
Bangladesh	17	13	30	8	6	14	19	19	82
Bhutan	18	6	24	3	4	7	5	15	51
India	0	0	0	2	1	3	52	61	116
Maldives	6	8	14	2	2	4	0	2	20
Nepal	0	0	0	5	4	9	44	7	60
Sri Lanka	5	5	10	3	4	7	52	17	86
<b>Total</b>	<b>46</b>	<b>32</b>	<b>78</b>	<b>23</b>	<b>21</b>	<b>44</b>	<b>172</b>	<b>165</b>	<b>415</b>

## Objective 2: To enhance adaptation of communities affected by climate change through enhanced water resource management and food and energy security

### Climate change

More than 600 million people in Afghanistan, Bangladesh, Bhutan, India, Nepal and Pakistan depend on water flows from the Himalayas but climate change and poor water management practices are likely increasing stress on the livelihoods of people in the Indus-Ganges-Brahmaputra basins over the coming years. Climate change impacts are a key factor determining food production in the basin.

Regionally, through the South Asia Water Initiative—a partnership facility with the World Bank—Australia is contributing to building capacity for water resource management in the Himalayan river basins. It is too early to assess achievement of objectives; however the completion of a Strategic Assessment of the Ganges River Basin in 2010 was an important first step in building the expertise to tackle the issues. Other major outputs in 2010 included: publication of a major groundwater study in India; capacity building to support the Water and Energy Commission Secretariat in Nepal; and establishment of the Fifth Abu Dhabi Dialogue, an informal discussion on water resources between government, researchers and non-government organisations from the region. The challenge will be to ensure that analytical work and information-sharing leads to policy changes for better managing water resources.

In India, collaborative research between Australia's CSIRO and the Energy and Resources Institute of India has identified the most appropriate renewable technology for an integrated village electrification and cold storage facility. It is estimated that one-third of India's food and vegetable production is spoiled annually due to a lack of proper cold storage and transit facilities, a loss worth more than US\$7.3 billion. This work will lead to the establishment of a pilot system to demonstrate how cold storage and village electrification using renewable energy can be a pathway for poverty alleviation in rural communities through reduced spoilage of food and provision of electricity for microenterprise.

In the Maldives, through the World Bank's Maldives Multi Donor Trust Fund Program, Australia has co-financed three key studies and preparatory activities to establish three major new climate change adaptation and mitigation programs. These programs will include: (i) monitoring the effect of climate change on coral reefs, (ii) providing flood protection and wetland conservation in ecologically sensitive areas and (iii) implementing new sustainable energy sources.

### Program quality

AusAID assesses the quality of its programs against a range of quality criteria—relevance, effectiveness, efficiency, monitoring and evaluation, sustainability and gender. Annual Quality



at Implementation (QAI) reports are prepared for all activities with approved funding of \$3 million or more. Activities that are valued less than \$3 million but are significant to country or corporate strategies or key partner relationships are also monitored through QAIs.

In 2010, of the 11 initiatives that underwent QAI assessments in the South Asia regional, India, Maldives and Bhutan programs, 100 per cent were rated as satisfactory or above on relevance and 91 per cent as effective. This reflects the programs' strong focus on inclusive economic and social development and on critical emerging issues such as adaptation to climate change. The majority of initiatives demonstrated sound achievements against end-of-program objectives. Information was sourced from partner monitoring and evaluation systems and independent MTRs. Programs generally had good evidence of gender-sensitive approaches being considered in research and in the design and implementation of initiatives, although some activities could have benefited from better reporting and analysis of gender equality benefits and impacts.

Programs still have some room for improvement. Measurement of longer-term outcomes of the PSLP is constrained by the one-off or short-term nature of some of these activities and weaknesses in the program's monitoring and evaluation system, for example, one-off training workshops with no or little follow up. However, in India anecdotal evidence shows the program is resulting in some longer-term strategic linkages between institutions, which can be used as a proxy for capacity development. The South Asia Scholarship Program needs to resolve operational issues resulting from implementation of a regional approach in South Asia and to implement tracer studies, alumni and reintegration plans to better measure the impact of scholarships on development. Strengthening activity monitoring and evaluation systems is also required for multilateral development bank technical assistance facilities. Key issues are to ensure uptake of research products and to measure their impact on policy and institutional reforms. For some multilateral technical assistance facility projects there is also a need to ensure the replication or scaling up of successful pilots to achieve sustainable benefits.

## Next steps

Consistent with the Government's response to the recommendations of the *Independent Review of Aid Effectiveness*, Australia proposes to increase aid to the South Asia region. This will need to be planned and delivered well to ensure improved development results and to be consistent with Australia's broader policy interests in the region. AusAID, in consultation with whole of government partners, will prepare a South Asia regional strategy and separate mini strategies for Bhutan and Maldives. Country strategies will also be refined for the Bangladesh and Sri Lanka programs to reflect the government's response to the findings of the Independent Review and a new country strategy will be developed for the Nepal program (for further information see separate 2010 Development Cooperation Reports for Bangladesh, Sri Lanka and Nepal on the AusAID website).

Consistent with the Independent Review and reflecting the Government of India's views about external aid, Australia's bilateral assistance to India will be phased out by June 2013. Australia will continue to provide targeted assistance through multilateral organisations and regional programs where Australia can make a difference to poor people. Furthermore, to increase partnerships with non-traditional donors, Australia will look to partner with India through trilateral cooperation, primarily in South Asia and through regional organisations.

Monitoring and evaluation systems in all South Asia programs, including South Asia regional, Maldives and Bhutan, need improvement. In finalising and preparing new country strategies



AusAID will give a high priority to developing performance assessment frameworks to help better track and report on performance.

In line with recommendations of the *Independent Review of Aid Effectiveness*, the bulk of Australia's assistance to the South Asia region will be delivered through partnerships—including with multilateral and non-government organisations that we assess as effective—and by investing in sectors where we can make the biggest difference. In 2011, Australia will develop a strategic approach for partnering with the World Bank and Asian Development Bank in the region, to maximise benefits of Australian investment and add value to the banks' programs. We will continue to work with the multilateral development banks to improve performance assessment of technical assistance facilities. This will include better measurement of the uptake of research and knowledge products and improved evaluation of the impact of analytical work on policy and institutional change.

At a program level, we will:

- > Review the current model for managing the scholarship program in the South Asia region and implement monitoring and evaluation strategies to better measure effectiveness.
- > Explore options for developing a broader and more integrated Human Resource Development approach in the Maldives and Bhutan.
- > Implement the recommendations of the PSLP review to strengthen the program's monitoring and evaluation approach and administration.
- > An external communication strategy will be developed to increase the profile of South Asia programs, highlight good practice interventions and share lessons learned.