



Australian Government

Department of Foreign Affairs and Trade

A faint, light blue world map is visible in the background of the page, centered behind the text.

Aid Program Performance Report 2014-15

South Asia Regional Program

November 2015

Key Messages

This Aid Program Performance Report (APPR) assesses the progress of the South Asia Regional program in addressing key region-wide barriers to sustainable economic growth and development. Results for 2014-15 include:

- › DFAT's support for **sustainable development** in the region, delivered through our Sustainable Development Investment Portfolio (SDIP), progressed in line with expectations. In 2014-15, important gains were made in outcome areas relating to capacity building, technology transfer, and mobilising civil society and private sector engagement – the building blocks for influencing long-term strategic change. Partners delivered good results in these areas across the three target sectors (water, food and energy security).
- › Good progress was made toward DFAT's **regional connectivity** objective in 2014-15 after some delay the previous year. A South Asia Regional Trade Facilitation Program (SARTFP) was designed and mobilised, with a focus on gender and trade facilitation. New engagement arrangements have been established with the World Bank to allow DFAT to strategically guide the investment.
- › An explicit focus on **gender equality** across the regional program yielded results, with delivery partners strengthening the empowerment of women and girls through their activities and through a better recognition of gender issues in monitoring and evaluation systems.
- › The South Asia Regional program continued its transition from a multi-sectoral, multi-country program to a more targeted regional program addressing region-wide barriers to sustainable economic growth and development. A number of legacy activities concluded in 2014-15, with others on track to be completed in the next year.

Context

South Asia has experienced a long period of strong economic growth. It overtook East Asia at the end of 2014 to become the fastest growing region in the world.¹ In 2014-15 there was a shift in the dynamics of regional engagement with the new Modi Government in India placing a higher priority on cooperation with countries in south and east Asia. In November 2014, South Asia Association for Regional Cooperation (SAARC) heads of governments concluded a SAARC Framework Agreement for Energy Cooperation to facilitate the trade of energy at the regional level.²

Sub-regional interactions in the areas of focus of our regional program have expanded. In February 2015, India hosted a BBIN (Bangladesh, Bhutan, India, and Nepal) sub-grouping of SAARC countries to discuss water resources management, hydropower and connectivity and transit within the region. In June 2015, BBIN countries signed a Motor Vehicles Agreement to

¹ World Bank (2015) South Asia Economic Focus Spring 2015: Making the Most of Cheap Coal, <http://www.worldbank.org/content/dam/Worldbank/document/SAR/saef-final.pdf>

² <http://www.saarc-sec.org/press-releases/18th-SAARC-Summit-Declaration/121/>

facilitate the movement of people and goods across the borders. BBIN countries have also agreed to exchange lists of potential hydropower projects and work out a model for power trade and inter-grid connectivity between the four countries.

In June 2015, India and Bangladesh signed a Land Boundary Agreement, which simplifies the 4,000 km India-Bangladesh border and clarifies the territorial rights of around 200 enclaves.³ There have also been a number of bilateral agreements on energy connectivity, trading and hydropower development.⁴ However, in the west of the region, the India Pakistan relationship remained politically complex.

In India, the clean-up of the Ganges, a transboundary river, is now a major public policy focus. The Indian Government's "Namami Gange" (Integrated Ganga Conversation) Program has been allocated a budget of INR 20,000 (~AU\$3.8 billion) over five years.

There are still significant issues to address. Economic growth was variable across the region and serious human development challenges remain. Nearly 400 million people in South Asia—40 per cent of the world's poor—live on less than \$1.25 a day.⁵ Many more live just above the poverty line and remain vulnerable to shocks related to health and disasters particularly women and girls.⁶ Women are over represented among the region's poor and the female participation rate of 35 per cent in the formal labour force in South Asia is among the lowest in the world.⁷

Intra-regional trade in South Asia stands at just 5 per cent of total trade compared with 50 per cent for East Asia and 30 per cent for Southeast Asia.⁸ Non-tariff barriers—onerous and subjective procedural and administrative requirements at borders—are a primary cause for the lack of intra-regional trade and for the region having the second highest trade costs globally. This helps account for South Asia's poor ranking in the World Bank's Ease of Doing Business Index and the World Bank's Logistics Performance Index.⁹

The 2014-15 period re-affirmed how vulnerable the region remains to natural disasters. Over the last 20 years, natural disasters have affected more than 750 million people and inflicted US\$45 billion worth of damage.¹⁰ In April 2015, a major earthquake and subsequent aftershocks led to widespread damage and loss of life in Nepal and the Indian state of Bihar. Floods were also widespread. In September 2014, the Kashmir region in India and Pakistan suffered disastrous floods across 2,550 villages, and 1.5 million people were affected by floods in the Indian state of Assam. Building the region's climate resilience will be of utmost

³ <http://www.reuters.com/article/2015/06/06/us-bangladesh-india-enclaves-idUSKBN00M0IZ20150606>

⁴ http://www.mea.gov.in/bilateral-documents.htm?dtl/25344/List_of_Agreements_MoUs_and_other_Documents_concluded_during_the_visit_of_Prime_Minister_to_Dhaka_June_06_2015

⁵ <http://www.worldbank.org/en/region/sar/overview#1>. These figures exclude Afghanistan

⁶ <https://openknowledge.worldbank.org/handle/10986/20395>

⁷ World Bank (2015) World Development Report, www.worldbank.org/en/publication/wdr2015

⁸ ADB Asia Regional Integration Center, www.aric.adb.org/indicator.php

⁹ World Bank: Doing Business Report 2015 (www.doingbusiness.org/reports) and World Bank Logistics Performance Index 2014 (<http://lpi.worldbank.org/>)

¹⁰ World Bank (2013) Potsdam Institute for Climate Impact Research and Climate Analytics, Turn Down the Heat – Climate Extremes, Regional impacts and the Case for Resilience

importance given the region remains one of the most vulnerable to the effects of climate change.

The future growth and stability of the region will depend heavily on its ability to increase cooperation in several critical areas: regional connectivity, integrated natural resource management that acknowledges the interdependencies and trade-offs between water, food and energy security; and women's economic empowerment. Fostering policy dialogue between South Asian countries on regional economic connectivity and sustainable development issues will be critical to achieving deeper regional cooperation.

Australia's aid program to the South Asia Region

This APPR is the last to report on the *South Asia Regional Development Program Strategy 2013–2017*, which describes the program's aim to reduce poverty and promote sustainable and inclusive growth by improving regional cooperation and connectivity. Since 2012, the program has evolved from a disparate, multi-country program covering eight countries to a more targeted program operating across five countries (India, Bangladesh, Nepal, Bhutan and Pakistan) around two objectives. These objectives address two of the region's most entrenched barriers to sustainable economic growth and development, with a particular focus on gender equality. The objectives are:

- › **Objective 1:** Increased water, food and energy security in South Asia to facilitate economic growth and improve the livelihoods of the poor and vulnerable (particularly women and girls); and
- › **Objective 2:** Increased regional connectivity (for the benefit of the men and women of South Asia) through gender integrated trade facilitation and economic and infrastructure connectivity initiatives.

Our new *Aid Investment Plan for the South Asia Regional Development Program 2015-19* maintains the focus on sustainable development and regional connectivity while further emphasising the importance of gender equality to the program's outcomes.

Australia works closely with other donors also investing in region wide initiatives on sustainable development and economic connectivity (World Bank, UK and Norway). DFAT works closely with the World Bank given its analytical capacity and its lending portfolio across the region to partner governments. This donor focus reflects a changing ODA landscape, with donors continuing to reduce bilateral aid to India and refocus on regional engagement. In addition, donors are moving away from providing financial assistance towards supporting technical capacity development.

Expenditure

In 2014-15, Australia provided \$32.8 million in Official Development Assistance (ODA) to South Asia regional initiatives.

Table 1 Total ODA Expenditure in FY 2014-15

Objective	A\$ million	% of total ODA
<i>DFAT South Asia Regional Program</i>		
Objective 1: Sustainable development – water, food and energy security	13.5	41.2
Objective 2: Regional connectivity – infrastructure and trade	8.6	26.2
Other - cross cutting, legacy programs and management costs	2.3	7
Sub-Total DFAT South Asia Regional Program	24.4	74.4
Other Regional and Global Flows	4.1	12.5
Other Government Departments	4.3	13.1
Total ODA Expenditure	32.8	

Progress towards Objectives

Overall, progress towards the South Asia Regional program's two key objectives in 2014-15 was as expected and demonstrated an improvement in performance since 2013-14. Progress was also made in the area of gender equality as a focus of both objectives. As for the previous year's APPR, 'legacy' investments not aligned with the regional program's two objectives are not covered in detail in this document. Progress of these investments is described under 'Analysis of AQC's'.

Table 2 Rating of the Program's Progress towards Australia's Aid Objectives

Objective	Previous Rating	Current Rating
Objective 1 Sustainable development – water, food and energy security	Green	Green
Objective 2 Regional connectivity – infrastructure and trade	Amber	Green

Note:

 Green. Progress is as expected at this stage of implementation and it is likely that the objective will be achieved. Standard program management practices are sufficient.

 Amber. Progress is somewhat less than expected at this stage of implementation and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

 Red. Progress is significantly less than expected at this stage of implementation and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Reporting period: July 2014-June 2015

Objective 1: Sustainable development (water, food and energy security)

This objective maintained its green rating from the previous year, reflecting progress made by the Sustainable Development Investment Portfolio (SDIP) in influencing improvements in water, food and energy security. Progress was as expected for this stage of implementation.

The SDIP aims to increase water, food and energy security in South Asia to facilitate economic growth and improve livelihoods, targeting the poorest and most vulnerable, particularly women and girls. DFAT is working with seven delivery partners across three Himalayan river basins (Indus, Ganges and Brahmaputra) to influence 28 'outcome areas' that contribute to systemic change in the region. Nine of these outcome areas are monitored as indicators of the overall performance of the SDIP, brought together in a Performance Assessment Framework (PAF).¹¹

The SDIP is in the foundational phase of an intended 12 year engagement strategy. In 2014-15, the second full year of implementation, it was expected that the investment would make important gains in areas relating to capacity building, technology transfer, and mobilising civil society and private sector engagement. Partners delivered results in these outcome areas across the three target sectors (water, food and energy security). Our peer-reviewed 2015 Aid Quality Check concluded that the SDIP is on track to meet the progress indicators for expected change at the end of Phase 1 (2012-2016), as outlined in the PAF.

In the **water sector**, an expected end-of-investment outcome for SDIP is that governments in the region have improved capability to gather and analyse hydrological data to support strategic planning. Against this outcome area in 2014-15, in India, the Commonwealth Scientific and Industrial Research Organisation (CSIRO) continued to work with India's Central Water Commission and relevant state governments to support river basin planning in the Brahmani-Baitarni River basin. This work led to collation of key datasets, the development of a prototype model for the basin, and training of Indian government officials in water modelling. In Pakistan, CSIRO strengthened its relationships with key water management agencies and sourced important datasets for the development of an Indus River system model. These investments represent significant steps towards better water management in the region and to building an evidence base to help shift approaches to river basin management. Capacity building in strategic water planning and management was supported by a study programme of water officials from China, Nepal and India (hosted by International Centre of Excellence in Water Resources Management) which shared Australia's water reform experience and training for over 450 water professionals in the region delivered by the World Bank South Asia Water Initiative (SAWI).

Private sector engagement is a focus of the SDIP. In the **energy sector**, an expected end of investment outcome is that SDIP will improve the institutional capacity of governments to engage in public-private partnership investments. Progress in this area was demonstrated over the reporting period. The International Finance Corporation (IFC) established projects in Bhutan

¹¹ Evidence of progress against these nine outcome areas is collected from partners' annual reports to DFAT, annual partnership assessments, and through an annual dialogue – a two-day forum where DFAT and partners evaluate SDIP's contribution to change in water, food and energy security in the region.

(with Druk Holding) and India (with Bihar Transmission Grid and Madhya Pradesh Wind Repowering). These projects aim to bring more energy efficient and renewable investments to the region by helping South Asian governments to structure sustainable, scalable and bankable projects for construction. With SDIP support, the IFC also assisted national governments and project developers to establish regulatory regimes and structure investment finance for high-quality hydropower projects, an important step in addressing the energy deficit that is inhibiting economic growth in the region. An expected outcome in the **agriculture sector** is that the SDIP will help establish collaborative structures between farmer organisations, agri-business, researchers and relevant public agencies. This will support improvements in agricultural productivity to benefit smallholder farmers (including female headed households). The Australian Centre for International Agricultural Research (ACIAR) is improving agricultural productivity in India (West Bengal, Bihar), Bangladesh (Rangpur, Rajshahi) and Nepal (Sunsari, Dhanusha) through field trials of conservation agriculture techniques and the establishment of 'innovation platforms'. The platforms link researchers, farmers and local entrepreneurs to strengthen agricultural markets and promote conservation agriculture. In 2014-15, ACIAR collaborated with men and women farmers to set up over 800 field trials and trained over 60 people in innovation platform theory. Further capacity building included farmer field days, study tours and advanced training for local agricultural scientists. Over 6000 people have benefited from capacity building activities under the program in 2014-15.

An explicit focus on gender equality in the SDIP is already having significant impact and delivery partners demonstrated measurable achievements on this issue in the reporting period. ACIAR has incorporated gender into all of its activities including specific research on women-headed households, and considerable involvement of women's groups in technology-trial activities. Both the International Centre for Integrated Mountain Development (ICIMOD) and CSIRO are improving their collection of gender-sensitive data and developing more gender-sensitive monitoring and evaluation (M&E) frameworks to better understand gender in their climate change analyses. The International Centre of Excellence in Water Resources Management (ICEWaRM) has partnered with India's TERI University to develop a short course in water resources management that explicitly addresses gender equality. The focus on gender is also strengthening SDIP partners' own organisations. In CSIRO, for example, SDIP supported a shift in the way gender is considered in science – where gender was previously considered outside the scope of water modelling, scientists are now identifying links between their science and potential long-term impacts on vulnerable populations.

Objective 2: Regional connectivity (trade facilitation and infrastructure connectivity)

Progress toward this objective improved from amber to green. This was because SARTFP, the principal investment under this objective, was designed and mobilised as planned with dedicated DFAT resourcing for M&E and program governance. In addition, there were improvements in funding disbursement on the Infrastructure for Growth (IFG) program and a better alignment between IFG and SARTFP activities.

During 2014-15, Australia addressed regional connectivity challenges in the region through three programs – the World Bank-implemented SARTFP and IFG program, and the recently completed Australia-Asian Development Bank (ADB) South Asia Development Partnership Facility.

DFAT will provide the World Bank with up to \$25 million over four years (2014-18) for SARTFP. SARTFP is an “aid for trade” investment that specifically focuses on supporting gender-sensitive approaches in trade facilitation, infrastructure connectivity, livelihood and enterprise development initiatives. Through SARTFP, DFAT will strengthen the integration of gender equality in South Asia trade programs, challenging the assumption that trade is gender neutral, and demonstrate why gender matters in regional trade facilitation and infrastructure connectivity.

In 2014-15 as part of SARTFP, new arrangements have been established to guide the investment strategy. This includes a World Bank-DFAT SARTFP Donor Steering Committee and a Technical Advisory Facility (TAF) to support DFAT’s technical engagement in SARTFP. The SARTFP design was finalised in late 2014-15, delaying completion of the monitoring and evaluation framework. This is a priority for 2015-16.

Over the reporting period, measures have been taken to better integrate SARTFP with our other key investment under the regional connectivity objective, the IFG program. This includes working with the World Bank to revise the overarching Partnership for South Asia (PFSA) ‘umbrella’ Trust Fund Administration Agreement, which covers both the IFG and SARTFP investments. This should ensure that the governance arrangements for these programs remain fit for purpose, and allow the alignment and complementarity between the SARTFP and IFG programs, helping to maximise benefits from the investments under each program.

The objective of the IFG program is to meet infrastructure gaps in the region to facilitate connectivity and integration, both within countries and within the region. Considerable progress was made under IFG during 2014-15, after a slow start. Sixteen new activities valued at approximately \$5.8 million were funded. This included an India Eastern Corridor Intermodal Transport and Logistics activity to identify and define the potential for increasing intermodal transport and improving logistics along this trade corridor.

The Australia–ADB South Asia Development Partnership Facility (the Facility) concluded in March 2015. In total, 27 sub-projects were financed to advance regional cooperation and integration, as well as climate change and green growth. The success of the Facility was assessed at a workshop in November 2014 attended by government officials, ADB technical specialists, UN agencies and NGO and civil society representatives. The outputs of sub-projects have been used by relevant governments and have also helped pave the way for private sector investment. For example, the study *Bhutan: Critical Development Constraints* was used by the Royal Government of Bhutan in preparing the country’s Eleventh Five Year Plan (2013-18). Nineteen per cent of the Facility’s budget funded five sub-projects that specifically addressed gender equality and the empowerment of women and girls. Other results from the Facility were:

- › In Bangladesh, a sub-project resulted in bankers expanding their lending to include women borrowers and provided legal literacy training to 150 women entrepreneurs.
- › Training for 60 South Asia Subregional Economic Cooperation trade officials on customs and logistics, trade processes and reforms, and risk management.

Performance Benchmarks

Good progress was made against the South Asia Regional program’s pilot performance benchmarks for 2014-15, with five out of the six benchmarks achieved in the reporting period. The sixth benchmark was no longer relevant due to aid budget reductions. The good progress

on benchmarks, particularly the benchmark relating to capacity building in the water and agricultural sectors, indicates more robust benchmarks could be set. As a result, the benchmarks were revised during development of DFAT's new South Asia Regional Aid Investment Plan 2015-19 to ensure they were both realistic and sufficiently ambitious. A detailed description of progress is included in **Annex B**. From 2015-16, the South Asia Regional program will report against the benchmarks outlined in the new South Asia Regional Aid Investment Plan.

Mutual Obligations

Where possible the regional program is aligned to the priorities of regional organisations (e.g. those of SAARC in the energy sector). Where this is not possible, investments under the regional program will be aligned to, and dependent on, regional or bilateral measures taken by South Asian governments (India, Pakistan, Bangladesh, Nepal and Bhutan) related to advancing regional cooperation. This includes policy changes, new regional cooperation activities and cross-border agreements. With respect to the regional connectivity objective, DFAT's support to the World Bank is complementing large Bank loans to partner governments in the region for trade facilitation, providing a good indicator of government commitment to this objective.

Program Quality and Partner Performance

Overview

We made steady progress in consolidating the South Asia Regional program in 2014-15. Less than 10 per cent of funding through DFAT's South Asia Regional Program was allocated to investments that fell outside the two objectives of the regional program, compared with 19.2 per cent in 2013-14 and 40 per cent in 2012-13. Two legacy activities were closed, and a further two are expected to conclude in 2015-16. From 2015-16, the funding pipeline will focus on two key investments (SDIP and SARTFP) and two high priority initiatives (support to the Indian Ocean Rim Association (IORA) and the Australia-India Strategic Research Fund (AISRF)).

A comprehensive monitoring and evaluation (M&E) system, including a PAF, is tracking progress under SDIP. Despite this, monitoring and reporting on such a complex investment remains a challenge and there has been a concerted effort to strengthen M&E and reporting in 2014-15. For example, DFAT hosted an M&E workshop in March 2015, which focused on gender monitoring and reporting. Partner reporting requirements under SDIP were also strengthened.

Development of a monitoring and evaluation framework for the newly designed SARTFP is a priority for 2015-16. Two evaluations relating to DFAT's regional-connectivity investments were completed in 2014-15 (see **Annex C**), with learning incorporated in the design of SARTFP. An independent review of the first phase of the SDIP commenced in July 2015, and is expected to be completed by November 2015. Its recommendations will inform the design of Phase 2 to be mobilised in July 2016.

Analysis of Aid Quality Checks (AQC's)

In 2015, overall AQC performance for the South Asia Regional program improved from the previous year (see ratings in **Annex D**). Five investments were reviewed and three received exemptions. SDIP maintained good ratings across all AQC performance categories and continues to be considered a relevant, efficient and effective program. Under the Regional Connectivity objective – which principally covers SARTFP and IFG – less than adequate ratings

for efficiency and M&E were due to slow commitment and disbursement of funds under IFG and a delay in finalising the design of SARTFP. There has now been an increase in funding committed under IFG and it is expected that implementation will accelerate. The Australia-ADB Facility concluded this year, with an overall adequate rating.

Water and Sanitation India (WSI) and South Asia Food Security and Nutrition Initiative (SAFANSI), which were identified as underperforming investments in 2014, improved their performance ratings in 2015, with better reporting by delivery partners.

Ratings for gender equality improved overall, reflecting a sustained focus on gender across the regional program, including on the importance of tracking gender sensitive data.

Performance of key delivery partners

The South Asia Regional program is delivered through multilateral partners, intergovernmental organisations, civil society organisations and Australian agencies.

The World Bank is a major implementing partner, delivering programs including SARTFP, IFG, SAFANSI, WSI and SAWI. In 2014-15, DFAT completed four Partner Performance Assessments (PPAs) for World Bank investments in South Asia, rating the Bank's performance as adequate to good. There were some delays in activity implementation and reporting but these matters have been addressed and investments are now on track, with DFAT and the World Bank dedicating considerable resources to strengthening the partnership over 2014-15.

Regarding the Australia-ADB Facility, which concluded in March 2015, the PPA found that the ADB was responsive and open to changes in policy direction, particularly around sectoral foci. DFAT experienced some M&E issues with the program, and has dedicated resources to developing a coherent results framework for SARTFP to avoid similar issues in the future.

SDIP delivery partners continued to perform well in 2014-15. Comprehensive partner assessment processes were established as part of the SDIP design. DFAT meets face-to-face for an annual 'health check' with each partner to review performance and progress. Partner performance is also reviewed through annual reporting to DFAT (which details progress against work plans) and through the SDIP Annual Dialogue forum. In 2014-15, SDIP delivery partners generally made expected progress against their individual work plans and strengthened their relationships with DFAT, partner governments and other implementing partners.

There is good evidence of institutional strengthening across all SDIP partners, in particular a greater focus on gender (see Progress towards Objectives).

Risks

Table 3 Management of Key Risks to Achieving Objectives

Key risks	What actions were taken to manage the risks over the past year?	What further actions will be taken to manage the risks in the coming year?	For emerging/ongoing risks provide a Risk Rating (low, medium, high, very high)
Program fragmentation due to investments not aligned with program objectives	Two non-aligned 'legacy' programs were finalised	Continue to consolidate and align future activities to regional program priorities	Medium
Political instability and/or civil unrest hinders program delivery	Ongoing monitoring	Support flexible program approaches. Monitor likelihood and strengthen engagement with bilateral Posts	Medium
Natural disasters disrupt activities	Raised during SDIP health checks and incorporated in partner risk registers	Encourage multiple engagement points by partners and support flexible program approaches	Medium
Poor reporting from partners affects the ability to measure progress	An M&E workshop and guidance on reporting was provided to SDIP partners Regular engagement with multilateral partners to improve reporting	Incorporate improvements to M&E into the design of SDIP Phase II Develop a results framework for SARTFP	Low
Gender equality outcomes across the program are not achieved	Regular consultation with partners to ensure program activities, M&E and reporting are gender focused	Design SDIP Phase II with a deeper gender orientation Develop a SARTFP results framework to report on gender sensitive approaches across all SARTFP work	Low

Management Responses

Four out of the five management actions identified in the previous APPR were successfully implemented in the reporting period. Establishing a results framework for the regional connectivity objective of the South Asia Regional program has been rescheduled to early 2016. A detailed description of progress on 2014-15 management responses is at **Annex A**.

The aid budget reductions taking effect from 2015-16 will further drive the planned consolidation of the South Asia Regional program. In 2015-16, DFAT will improve program performance by undertaking the following management actions:

- > Manage remaining 'legacy' activities to conclusion and, where possible, align new activities with the two strategic objectives of the program outlined in the South Asia Regional AIP.
- > Develop a results framework for SARTFP.
- > Complete an independent evaluation of the first phase of the SDIP, and design the second phase of investment (due to commence in July 2016).
- > Establish gender as an explicit objective across the regional program.
- > Increase awareness of the regional program by DFAT's overseas missions and bilateral desks across South Asia, to maximise the utility of the regional program in bilateral public and economic diplomacy efforts.

Annex A - Progress in Addressing Management Responses

Management responses identified in 2013-14 APPR

Continue to consolidate the regional program by ensuring that all new activities align with the two strategic objectives and managing legacy activities through to conclusion. We will develop an Aid Investment Plan that sets out a pipeline for consolidation of the regional program around the two pillars of sustainable development and regional connectivity.

Improve performance management and reporting by developing a Performance Assessment Framework for the program, derived from monitoring and evaluation frameworks for each of the two program pillars.

Enhance engagement with multilateral partners to ensure that program outcomes can be monitored in accordance with the aid policy and performance benchmarking requirements. We will continue to implement the Australia-World Bank Partnership for South Asia and schedule two high level strategic / management discussions per year and quarterly officer-level discussions to support program management and technical collaboration.

Finalise design of the Regional Connectivity pillar and commence implementation by June 2015. We will develop a detailed timeline for finalising scoping work, choosing a partner, undertaking any due diligence, agreeing objectives and reporting requirements, developing and approving a design, negotiating a partnering agreement, and commencing activity. This timeline and milestones will be approved by the First Assistant Secretary, South and West Asia Division, DFAT.

Increase focus and engagement in the energy sector under the SDIP, by establishing a partnership with an implementing organisation in this sector and commencing on-ground activities to improve access to and cooperation on energy.

Rating

Achieved

Partly achieved

Achieved

Achieved

Achieved

Progress made in 2014-15

There was good progress in consolidating the regional program in 2014-15. The Aid Investment Plan for the South Asia Regional Program finalised in September 2015 reaffirms the regional program's focus on sustainable development and regional connectivity – with a reduction in the number of initiatives against each objective. Two non-aligned 'legacy' programs were finalised in 2014-15 and several other activities are due to be completed in 2015-16. The regional program will support two high priority initiatives (Indian Ocean Rim Association (IORA) and the Australia-India Strategic Research Fund (AISRF)).

From 2015-16, the South Asia Regional program will be principally focused on two investments: the Sustainable Development Investment Portfolio (SDIP) and South Asia Regional Trade Facilitation Program (SARTFP). A decision was made early in 2014-15 to develop two Performance Assessment Frameworks (PAFs; one for each investment). The SDIP PAF was successfully used to frame performance assessment and reporting for the 2015 Aid Quality Check. With SARTFP designed and mobilised in late 2014-15, finalisation of a results framework for the investment is a priority for 2015-16.

Strategic management discussion for the Australia-World Bank Partnership for South Asia (PFSA) took place in September 2015. There has been enhanced engagement at officer and management levels through the design of SARTFP. Strengthened governance arrangements through revisions to the head agreement with the World Bank for the PFSA and an associated administrative manual, have institutionalised these relationships, allowing for greater DFAT influence and engagement on both SARTFP and IFG. DFAT remains active on the World Bank South Asia Water Initiative (SAWI) donor steering committee.

SARTFP, the principal Regional Connectivity investment, was successfully designed and mobilised in June 2015. A formal partnering agreement was not established as this was outside the agreed agency-wide governance arrangements between DFAT and the World Bank.

The International Finance Corporation (IFC) was added as SDIP's energy sector partner in October 2014. IFC has established a comprehensive work program and has commenced implementation across the three target basins.

Note:

- Achieved. Significant progress has been made in addressing the issue
- Partly achieved. Some progress has been made in addressing the issue, but the issue has not been resolved
- Not achieved. Progress in addressing the issue has been significantly below expectations

Annex B - Progress towards Performance Benchmarks in 2014 -15

Aid objective	2014-15 benchmark	Rating	Progress in 2014-15
Increased water, food and energy security in South Asia to facilitate economic growth and improve livelihoods, targeting the poorest and most vulnerable, particularly women and girls.	Hold two workshops to transfer science and experience from Australia to improve water security and agricultural productivity in the Ganges basin.	Achieved	Progress on this benchmark exceeded expectations. SAWI held two workshops in February 2015 in New Delhi, both with about 100 participants, at which lessons from the Australian experience, specifically on the Murray-Darling Basin, were shared. CSIRO hosted a training workshop in May 2015 for 26 participants of India's Central Water Commission and state agencies about developing a Baitarni Basin model to inform decision-making about water resourcing and allocation. CSIRO held a training workshop in December 2014 in Delhi on rainfall-runoff. ICE WaRM and CSIRO hosted 14 senior delegates from government and research agencies from Nepal, India and China to Australia, providing participants first-hand experience of water resources management in Australia. Supporting improved agricultural productivity, ACIAR held formal training courses on innovation platforms and theory of change.
	Engage a partner to implement the energy security component of the program and commence implementation and funding.	Achieved	The International Finance Corporation (IFC) was added as SDIP's energy sector partner in October 2014 and the first tranche of funding was disbursed. IFC has established a comprehensive work program and a range of activities are being implemented across the three target basins.
Increasing regional connectivity through trade facilitation and infrastructure connectivity.	"Aid for trade" program design approved, and implementation commenced including mobilising funding.	Achieved	The design of the South Asia Regional Trade Facilitation Program (SARTFP) was approved late in the 2014-15 financial year and mobilised shortly thereafter. DFAT will provide the World Bank with up to \$25 million over 4 years (2014-15 to 2017-18) to support gender-sensitive "aid for trade" activities to improve cross border trade and economic connectivity in the eastern sub-region of South Asia. The first tranche of funding was paid in June 2015.
Consolidation of program to two "pillars" that strengthen transboundary cooperation to promote more inclusive and resilient economic growth.	Close three "legacy" activities that are not aligned with the two objectives of the Regional program.	Achieved	Activities associated with the Australia-ADB South Asia Development Partnership Facility (ING236) concluded in March 2015 and DFAT's support for the International Planned Parenthood Federation's South Asia Strategic Plan (INJ866) concluded in June 2015. The South Asia Public Sector Linkages Program will continue until March 2016 but management responsibility has been transferred to DFAT's Whole of Government section. The UNDP's H13 project (Preventing HIV transmission in drug users: H13) had been expected to conclude in 2014-15, but additional funding from other donors has enabled the program to continue until October 2015. A final report is expected in November 2015.
	Put in place a mechanism for financing non-aligned activities.	Partly achieved	A separate program fund has been set up to finance activities associated with the Indian Ocean Rim Association. There is limited scope for funding initiatives beyond the Sustainable Development and Regional Connectivity objectives.

Note:

- **Achieved.** Significant progress has been made and the performance benchmark was achieved
- **Partly achieved.** Some progress has been made towards achieving the performance benchmark, but progress was less than anticipated.
- **Not achieved.** Progress towards the performance benchmark has been significantly below expectations

Annex C - Evaluation and Review Pipeline Planning

List of evaluations completed in the reporting period

Name of Investment	AidWorks number	Name of evaluation	Date finalised	Date Evaluation report Uploaded into AidWorks	Date Management response uploaded into AidWorks	Published on website
Australia-World Bank Partnership for South Asia Trust Fund	INJ955/ INJ037/ 09B407/ INK431/ 12A149	Independent Mid-term Review of the Australian Foreign Affairs and Trade – World Bank Partnership for South Asia	January 2015	N/A	N/A	Internal document - Not for publication

List of evaluations planned in the next 12 months

Name of Investment	AidWorks number	Type of evaluation	Purpose of evaluation	Expected completion date
Sustainable Development Investment Portfolio	INK999	Independent evaluation	To inform the design of Phase 2 of the investment	November 2015

Annex D - Aid Quality Check ratings

The previous investment level performance assessment system utilised Quality at Implementation (QAI) reports. Two criteria, Risks and Safeguards and Innovation and Private sector were not assessed in QAI reports and there have been significant changes in AQC reporting this year. Innovation and Private Sector is not a quality standard.

AQC ratings

Investment name	Approved budget and duration	AQC/QAI year	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
Water and Sanitation - India	\$5.75 million (2009/10–2015/16)	2014 AQC	4	4	4	4	4	4	4
		2013 QAI	3	3	3	3	3	4	n/a
Preventing HIV transmission in drug users: H13	\$9.7 million (2006/07–2015/16)	2014 AQC	AQC exemption						
		2013 QAI	4	5	4	4	4	4	n/a
Australia-ADB South Asia Development Partnership Facility	\$14 million (2005/06-2014-15)	2014 AQC	FAQC (see below)						
		2013 QAI	5	4	4	2	4	4	n/a
IPPF South Asia Strategic Plan 2010-2015	\$13 million (2010/11-2014/15)	2014 AQC	AQC exemption						
		2013 QAI	QAI exemption						
South Asia Food and Nutrition Security Initiative	\$5.7 million (2010/11-2015/16)	2014 AQC	4	4	4	4	4	4	4
		2013 QAI	3	3	3	3	4	3	n/a
Sustainable Development Investment Portfolio	\$49.4 million (2012/13-2015/16)	2014 AQC	5	5	5	5	5	5	5
		2013 QAI	5	5	5	5	5	5	n/a

Investment name	Approved budget and duration	AQC/QAI year	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
Regional Connectivity and Integration: Trade Facilitation and Infrastructure	\$22.5 million (2012/13-2016/17)	2014 AQC	5	4	3	3	4	4	4
		2013 QAI	5	4	3	3	4	3	n/a

FAQC ratings

FAQC scores assess performance over the lifetime of the investment and should not be compared to the previous year's QAI ratings.

Investment name	Approved budget and duration	Overall rating	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
Australia-ADB South Asia Development Partnership Facility	\$14 million (2005/06-2013-14)	4	5	4	4	3	3	4	N/A

Definitions of rating scale:

Satisfactory (4, 5 and 6)

6 = 6 = Very good; satisfies criteria in all or almost all areas

5 = 5 = Good; satisfies criteria in most areas

4 = 4 = Adequate; on balance, satisfies criteria; does not fail in any major area

Less than satisfactory (1, 2 and 3)

3 = 3 = Less than adequate; on balance does not satisfy criteria but does not fail in any major area

2 = 2 = Poor; does not satisfy criteria in major areas

1 = 1 = Very poor; does not satisfy criteria in many major areas