

AIPEG Design Document

Annexes

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Annex 1 Indonesia's macro-economic context

This annex comprises three sections:

- A Summary of the Indonesian economic situation, mid-2008**
- B Key issues in economic governance**
- C Analysis of Indonesia's economic governance context and agencies**

A Summary of Indonesia's economic situation, mid 2008¹

In 2007 the economic growth rate in Indonesia was 6.3%. Economic growth for 2008 is expected to be in the range of 6.0 – 6.5% and the forecast for 2009 is close to 6.0%. These figures are the best figures since the Asia financial crisis and, subject to no major domestic or international crisis, are likely to continue despite the slow process of economic reform. The main drivers of growth were private consumption, supported by private investment, and an expansion of net exports. The lower inflation and interest rates also helped push up consumer spending, with private consumption increasing by 5.0% in 2007.

Higher GDP growth was accounted for mainly by the services sector, with transportation and communications, and electricity, gas, and water supply recording double digit growth. The rapid expansion of telecommunications services owes much too growing demand for mobile telephone and Internet services, which have been expanding by 40–50% a year. The expansion of utilities was due mainly to a 30% rise in gas usage as the state-owned electricity company switched to gas from more expensive fuels, and to a government drive to get consumers to shift from subsidized kerosene to non-subsidized liquefied petroleum gas.

Manufacturing output growth of 4.7% reflected higher growth in machinery, food, rubber, and paper products, offset in part by declining output for textiles, refined petroleum products, and liquefied petroleum gas. Reduced output for textiles is a sign of declining competitiveness in this labor-intensive industry dominated by young, unskilled female workers. Growth in manufacturing employment accrued predominantly to men (ADB Indonesia: Country Gender Assessment).

Agricultural output growth at 3.5% was driven by a 4.8% increase in rice production and higher world prices for plantation crops such as palm oil and rubber. Mining and quarrying grew by just 2.0%, despite considerably higher prices for oil and gas (which account for 55% of this sub-sector's output). This weakness was largely due to a 1.2% decline in oil and gas extraction caused by years of underinvestment in the sector.

¹ This annex was prepared prior to the major global financial difficulties in late 2008.

Annex 1

Year-on-year inflation declined from a peak of 18.4% in late 2005 to 6.6% at end-2007, as the impact of a 126% rise in fuel prices in October 2005 faded. Amid some volatility, inflation remained within Bank Indonesia's target range of 5–7% during the year, averaging 6.4%. While movements in food prices and seasonal factors contributed much to the volatility, a combination of factors ranging from higher global nonfood commodity prices, a depreciating rupiah, and a steady increase in domestic demand kept inflation from declining further.

The relatively moderate impact of the US sub-prime crisis on domestic financial markets, together with an improved policy environment, led to Standard & Poor's as well as Moody's rating agencies to raise the country's sovereign foreign currency debt rating to BB- and Ba3, respectively, in 2007.

The overall budget deficit has gradually widened in recent years from 0.5% of GDP in 2005 to 1.2% in 2007 (versus a revised budget target of 1.5% for that year). The actual outturn was assisted by increased revenues from petroleum royalties as the Government's share of oil revenues rose along with higher oil prices. On the expenditure side, higher spending on food, fuel, and electricity subsidies was more than offset by reduced outlays on all other expenditure categories. Although there was some improvement in budget execution in 2007, capital expenditures were again subject to considerable back-loading, reflecting difficulties in the management of public expenditures. Capital spending fell short of the budgeted amount by an estimated 10%.

The authorities funded the widening fiscal deficit by issuing government securities and increased borrowing from development partners. Still, the ratio of total central government debt to GDP declined by 3.4 percentage points to 35.7% in 2007, reflecting the concessionary nature of the borrowing and higher economic growth.

The Government pursued its reform agenda in 2007 aimed at improving the investment climate and public service delivery. Parliament passed a landmark investment law, which stated the principle of equal treatment for all investors regardless of national origin, as well as a tax administration law that strengthened the rights of taxpayers, reduced discrimination against married women taxpayers and limited arbitrary decision making by tax officials. Other significant changes included reducing the time for refunds of value-added tax, streamlining business licensing procedures, and implementing good corporate governance and risk management standards for state-owned banks.

An economic policy package unveiled in July integrates and builds on separate policies covering investment, infrastructure, the financial sector, and small and medium enterprises. It involves 165 reforms to be achieved by July 2008. As of end-February 2008, 105 of these reforms had been completed. These gains have, however, taken place from a low base, and the investment climate continues to rank poorly. Transparency International's 2007 Corruption Perceptions Index ranked Indonesia 143 out of 180 economies, while the World Bank's Doing Business 2008 put the country 123 out of 178 on ease of doing business. Firms still face a difficult legal and regulatory environment.

The Government's Medium-Term Development Plan 2004–2009 identifies gender mainstreaming as a target under the theme of establishing an Indonesia that is just and democratic. However, much remains to be done. There is often still a fundamental lack of understanding of the benefits and importance of mainstreaming gender in policies and programs. The issues that may affect women are still viewed as primarily falling within the social sphere and the perception that gendered opportunities and constraints are having significant economic impacts is not widely held.

Strict labor regulations create a disincentive to employment expansion and particularly affect women. The existing labor law is criticized by business groups for, among other things, mandating severance payments that are much higher than comparable economies, and limiting the ability of employers to outsource work. These have been identified as impediments to hiring new workers, particularly women, on a permanent basis, particularly in labor-intensive industries. Revisions to the labor law were proposed as part of an investment policy package in 2006 but were not implemented because of opposition from labor unions. The proposed changes would have addressed these issues and brought labor regulations into line with those of countries such as Malaysia and Thailand.

B Key economic governance issues

Civil service reform

It is widely recognized that in the aftermath of the Asia Financial Crisis and decentralization, the Indonesian civil service is in need of reform. There are some 3.6 million public servants, 38% of which are women. Of these 2.5 million are teachers and health workers stationed in the regions, at 1.9 million women make up the majority. The various decentralization and civil service laws have complicated the reform process.

Across all echelons the total number of women in the higher or “structural” positions is approximately 14%. The percentage of women in managerial positions is 17%. This under representation of women has many complex drivers. Key among these are lower educational attainment overall, two year rotation requirements in the civil service that are difficult for families not willing to move often, and women’s reduced ability to work the long hours of their male colleagues due to family commitments.

The Medium Term National Development Plan for 2004–09 included a plan for reform of the bureaucracy, calling for the application of ‘good governance’ principles in general—and, in particular, improved supervision and accountability of civil servants; restructuring of management and institutions; better management of human resources; and the improvement of services provided to the public.

The Ministry of Finance has been at the forefront of several reform processes. The approach has been one of piloting reform rather than wait for whole-of-government driven reform process to take place. In particular, reforms have centered on the Large Tax Payers Office.

Decentralization and the DAU

Indonesia's main decentralization challenge is to ensure effective allocation of its resources towards the improved delivery of public services and pro-poor policies. A credible performance system could help establish an allocation system that captures needs and performance. Such a system would have particular benefits for community driven policy, and provide a facility through which currently underrepresented groups such as women, ethnic minorities and people with disabilities may make their needs heard. Indonesia's most important source of sub-national financing—the General Allocation Fund (Dana Alokasi Umum or DAU)—increased nominally by 64 percent in 2006. Most regions have now enough resources to make a real difference for the lives of their citizens. Even regions considered fiscally poor now command an average of US\$425 per capita annually and have seen increases in their DAU transfers of 75 percent in 2006.

More than half of the DAU increase will go towards financing the civil service wage bill of provinces and districts. The full coverage of the sub-national wage bill provides disincentives for sub-national governments to streamline their civil services. Many local governments have difficulty spending their additional resources. Their reserves in local bank accounts have been rising rapidly and by November-2006 reached a record 3.1 percent of GDP.

Food security (rice)

Following a successful rice harvest, Indonesia is likely to require reduced imports in 2008. Nevertheless, the long-term trend is for consumption to grow quicker than domestic production. The recent increases in rice prices have triggered a desire by certain section of the Indonesia government to champion self-sufficiency in rice production. However, this can only be achieved by heavy subsidies or closing the border to imports. Both these measures are likely to substantially impact on the majority of Indonesia's poor, who are net consumers rather than net producers. Indonesian women are primarily responsible for the provision of food, for which they spend their time, labor and money; any policy that drives up the price of food for the majority net consuming poor, will adversely affect women in particular.

ASEAN trade Ministers at a regional meeting in Bali in May signaled that they did not support the earlier restriction on rice trade and called for the resumption of fair trade and orderly regional rice trade. Despite these signals there remain section of the Indonesian bureaucracy which perceive that Indonesia's food security is best achieved by self sufficiency in production.

Energy / Fuel subsidies

The rapid rise in energy prices has put pressure on the governments to address the fuel subsidy issue. The 2008 draft budget was based on an assumed oil price of \$60 per barrel. However, by mid 2008 the price of oil had risen to over \$130 per barrel. The government policy of keeping fuel prices fixed meant that the subsidy paid on fuel and the pressure on the budget increased despite the increase in government oil revenue. Oil at \$100 per barrel implied approximately \$26 billion in subsidies. Moreover, the wealthier parts of the community disproportionately benefited from the oil subsidies.

On 24th of May, 2008 fuel prices were increased by an average of 28.7%. This had significant implications for the poor, particularly poor women who are the main consumers of fuel for domestic use. To compensate for this, the government implemented a cash transfer program implemented through Post Offices. Some 19.1 million families will receive Rp 100,000 per month until the end of 2009. The government faces further challenges in reducing remaining fuel subsidies and compensating the poor.

C Analysis of Indonesia's economic governance context and agencies

The main economic Ministries are improving their capacity to implement and manage economic reform. Key economic Ministries' face three inter related challenges: a) Public Financial Management and managing budget processes, b) Dealing with economic reform processes and policy formulation and implementation, and c) Manage the central government's link with sub-national and sub-national performance. Within this context the emphasis has shifted from managing short term macro-economic issues to implementing longer term structural reform and improving the investment climate. Both issues, however, remain important, particularly as the global economic outlook becomes more uncertain and volatile. Nevertheless, in the context of a more assured Indonesia bureaucracy and a changing economic environment, the emphasis has shifted to Ministries' building capacity to manage economic governance.

Much needed civil service reforms are beginning to take place. The need for reform has been exacerbated by the Asia Financial Crisis and decentralization. The various decentralization and civil service laws however have complicated the reform process. There are some 3.6 million public servants, 38% of which are women. Of these 2.5 million are teachers and health workers stationed in the regions.

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Effective economic policy coordination across more than 34 Ministries remains a key area for improvement. Across the key economic Ministries and on a range of existing and emerging topics, from food and energy prices to climate change to civil service reform and centre–region relations, Ministries often take quite different approach and have overlapping mandates. While a significant amount of informal coordination occurs, systematic policy development and coordination are areas that have been consistently highlighted as needing improvement.

The GoI and key economic Ministries' have identified the above cross cutting issues as important and are actively pursuing reforms in these areas. Since 1998, TAMF has been working in partnership with several key economic Ministries. However, significant challenges remain and need to be addressed to alleviate poverty in Indonesia.

Higher development expenditures were made possible by the fiscal space of about \$10 billion a year generated by a reduction in the fuel subsidy in 2005, declining debt service payments, and increased revenues from more effective tax administration. However, a recent decision by the Government to absorb the increase in global prices for oil and food and substantially increase the subsidies that it provides for fuel, electricity, and staple food items is likely to undermine the gains made by the 2005 fuel subsidy reduction.

The authorities were revising the budget in March 2008 to take account of the global economic slowdown and higher commodity prices. They raised the oil price assumption in the budget from an original \$60 per barrel to \$95 per barrel. As a result, the subsidy envisaged for fuel and electricity increased from Rp45.8 trillion and Rp29.8 trillion, respectively, in the original budget to Rp130 trillion and Rp61 trillion in the revised budget. The authorities also increased subsidies for food to Rp19.8 trillion from Rp7.2 trillion as part of a package of measures to bring down the price of food. The energy subsidies together currently exceed the total budgetary allocation for capital and social expenditures by 18%. Moreover, evidence suggests that the fuel and electricity subsidies have been poorly targeted, with minimal benefit to the poor and particularly poor women.

To offset these increases, the Government intends to raise revenues through the application of so-called safeguard measures aimed at advancing tax and dividend payments of state-owned enterprises, restricting access to subsidized kerosene, and applying an across-the-board 10% cut in expenditures. Hoping to maintain development spending at original budgeted levels, the Government envisages the fiscal deficit for the year to widen to 2.1% of GDP. As in 2007, this deficit will be financed by the issuance of government securities and by increased borrowing from development partners.

Annex 2 Gender Analysis

The TAMF III Mid Term Review and the AIPEG design process have identified gender integration as a key area for improvement. The AIPEG Facility is mandated by Indonesian and Australian commitments on gender equality to ensure that it integrates gender throughout. The AIP states that gender equality is a priority for the partnership agreement. This agreement between the Government of Indonesia and the Government of Australia requires all bilateral aid to substantially address gender equality. Similarly, Indonesian *Presidential Instruction (9/2000)* on mainstreaming gender into all development initiatives, states that donors must mainstream gender into all support. The State Ministry for Women's Empowerment guidelines for gender mainstreaming, issued in 2002, are a key gender mainstreaming instrument.

Indonesia has signed and ratified the Convention for the Elimination of Discrimination Against Women (CEDAW). The core economic articles are: **Article 11** on 'discrimination against women in the field of employment'; **Article 13** on 'discrimination against women in other areas of economic and social life' . . . in particular, (a) the right to family benefits; and (b) the right to bank loans, mortgages and other forms of financial credit', and **Article 14** on rural women.

AusAID's gender policy *Gender in Australia's Aid Program – why and how* sets out gender equality as a principle that is fundamental to all Australian aid.

Across Indonesia notable achievements on addressing gender inequality include the production of gender disaggregated statistics in some provinces, districts, and sub-districts, the application of a Gender Analysis Pathway in a range of ministries, and an increasing number of gender issues included in annual development plans at district level. However women's empowerment divisions which exist at district level tend to be poorly staffed, under-resourced, and not appropriately placed within local government structures.

Indonesia continues to lag behind its neighbours in terms of women's economic engagement, particularly with the formal economy. Economic policy affects women and men differently because they have different roles and responsibilities – best practice economic governance takes this into account. The overall slow progress towards gender equality has an economic cost, for example:

- Persistent inequalities in the labor market have been estimated to cost Indonesia US\$2.4 billion each year.² The persistence of the barriers to gender equality, despite the obvious benefits that removing them would bring, indicates a market failure which justifies active state intervention.
- The education gender gap in Indonesia is 3% - this is estimated to reduce Indonesia's GNI by \$2.84 billion per annum.³
- Numerous behavioral studies have found women to be more trustworthy and public-spirited than men. These results suggest that women should be particularly effective in promoting

² UNESCAP, 2007, *Economic and Social Survey of Asia and the Pacific 2007: Surging Ahead in Uncertain Times*.

³ Dollar & Gatti (1999) *Gender Equality, Income and Growth: Are good times good for women?* World Bank Policy Research Report on Gender and Development, Working Paper Series No. 1. Washington DC. AND Plan International (2008) *Paying the Price: The Economic Cost of Failing to Educate Girls* www.plan-international.org

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honest government. Consistent with this hypothesis Dollar *et al*⁴ find that the greater the representation of women in parliament, the lower the level of corruption.

There are several issues relating to the economic empowerment of women that relate specifically to economic governance⁵. Briefly, these are:

- **Access to financial services:** Estimates from Bank Rakyat Indonesia indicate that 25% of both their microcredit borrowers and micro savings customers are women. One of the main obstacles for women's access to credit is lack of collateral.
- **Access to land and property:** Access to land and property has significant implications for women's ability to utilize property as collateral, and as insurance in the case of death or divorce. While statistics are not widely available, for areas where systematic titling has been implemented, data show that as of 1998, 30% of title certificates were issued in the names of women, 65% in the names of men, and 5% in multiple names.
- **Women in the labor force:** Trends indicate that there is a decline in employment opportunities for both the existing female labor force as well as for new female entrants to the labor market. In the formal sector, women are in low-paying, low skilled occupations; very few occupy higher positions in the private or public sector. Young women are predominant in the low-paying textile, garment and footwear industries. Women dominate as laborers in the urban informal sector, and this trend has been increasing. On average female employees' average hourly wages are around 70% of male earnings.
- **Women in the civil service:** Women are underrepresented in the civil service. Of the 3.9 million civil servants, 38% are women. Across all echelons the total number of women in the higher or "structural" positions is approximately 14%. Most women in the civil service (around 1.9 million) are employed as teachers and nurses. The percentage of women in managerial positions is approximately 17%.

As per AIP requirements, gender will be built into all AIPEG terms of reference, selection criteria and performance appraisals, and include a vigilant monitoring and evaluation process. The AIP also requires that clauses covering the collection of sex-disaggregated data are included in contracts and agreements with implementation partners. The AIPEG Facility has been designed in a way that integrates gender throughout and tasks all advisors and other staff with the responsibility to ensure that the concerns of both women and men are considered in their work.

⁴ Dollar *et al* (1999) *Are Women Really the "Fairer" Sex? Corruption and Women in Government*, World Bank Policy Research Report on Gender and Development, Working Paper Series No. 4. Washington DC.

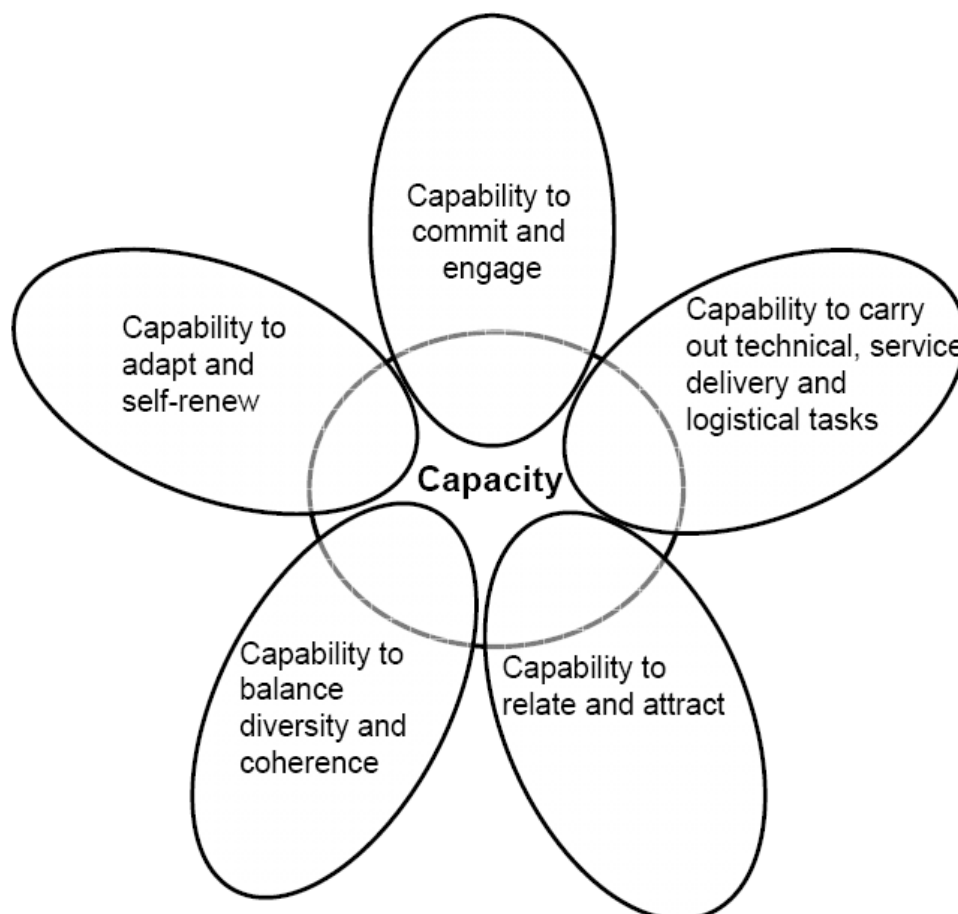
⁵ ADB, 2006, *Indonesia Country Gender Assessment*, <http://www.adb.org/Documents/Reports/Country-Gender-Assessments/cga-ino.pdf>

Annex 3 Capacity Development

A great deal has been written about capacity development in the past decade. Many lessons have been learned about a wide variety of aspects and issues, but there is still considerable diversity in perspectives, the depth of understanding, approaches and practices used by various players in capacity development.

A major international research program on capacity and capacity development issues has recently been completed by the European Centre for Development Policy and Management (ECDPM). According to Heather Baser and Peter Morgan, the key authors of the final Study Report⁶ there are five elements that make up the capacity of organisations. The five elements, included in Figure 1 below, provide a framework for considering efforts to contribute towards organisational capacity. They are described in the text below (extracted from the Study Report):

Figure 1 Elements of Capacity



⁶ Baser, Heather and Morgan, Peter 2008 "Capacity, Change and Performance: Study Report" Discussion Paper 59B, ECDPM

“The core capability to commit and engage

...almost all the current discussion in development co-operation about the importance of ‘ownership’ and motivation has to do with this core capability. Its absence – or at least its fragility – dooms efforts at building any kind of a broader capacity. We are talking here about the capability to commit and engage in development activities. Organisations must be able to have volition, to choose, to empower and to create space for themselves. This is about the capability of a complex adaptive system – a living system – to be conscious and aware of its place in the world, to configure itself, to develop its own motivation and commitment and then to act. And to do it in time, over time and frequently, despite the opposition or resistance or non cooperation of others. This is a condition that goes beyond conventional notions of ownership. It has a lot to do with attitude and self-perception.

We regard this core capability as the one that energises all the others. We suspect it is also the key to self-organisation that lies at the heart of change in complex adaptive systems. Actors that developed it could overcome enormous constraints. When it was absent or weakened, they produced little of value. More specifically, this capability is about human, social, organisational and institutional energy and agency. Does the system have the collective drive, confidence and ambition to build its capabilities? Is it stuck or helpless? Is it trapped or immobilised by internal conflict or external forces? Has it been captured and hijacked and its resources diverted to other purposes? Is it in denial in certain areas or about certain issues? Has it given up on carrying out certain activities in the face of their complexity or uncertainty? Does it have a high level of organisational optimism and confidence? Or has the lack of integrity and purpose rendered it helpless in the face of difficulties. Has the system lost awareness and consciousness?

Such a capability is obviously not totally present or absent. Some systems may be energised in certain directions but not in others. An organisation may start implementing a programme with energy and commitment, but then lose traction and the willingness to act as the constraints mount.

In this report, we differentiate this core capability from that of carrying out technical and logistical tasks (see below). Both have to do with some sort of intentional behaviour. But the core capability for achieving results has more to do with ‘first-order’ change or the manipulation of skills and resources. It is about management, logistics, operations and task accomplishment. The capability to commit and engage, in contrast, is related to ‘second-order’ change, i.e. a complex blend of motivation, power, space, legitimacy, confidence, security, meaning, values and identity. It is connected to deeper patterns of behaviours that are partly structural, partly psychological, and usually deeply embedded.

Many organisations get stuck in a ‘low commitment, low capacity, low performance’ equilibrium that is a classic trap of weakened systems. Continuing political and bureaucratic instability causes, and is reinforced by, low levels of commitment, leading to ineffective processes of capacity development. Citizens then withhold support and legitimacy from public agencies, leading, in turn, to a ‘weak demand, weak response’ syndrome that further locks inaction in place. This pattern reinforces the poor performance, which leads back again to low commitment and low absorptive capacity. Many state structures are trapped in this kind of vicious cycle, which is hard to escape solely through narrow technical approaches to capacity development. In such

cases, satisfactory underperformance – lack of engagement and lack of results – becomes the most sensible option available.

The capability to commit and engage can be developed, however. Organisations and systems can be given space. They can be buffered and given political protection. They can be helped to develop a greater sense of awareness and confidence. They can develop more coherence and leadership. They can get access to an increased supply of supply of resources. They can develop a willingness to decide, move and take risks, and to improve the pattern of relationships with outside groups.

It is also, in our view, the capability that is least understood by external actors. Funders can relate to organisations that are technically or organisationally ‘unable’ to do certain things. The design of most technical assistance (TA) is based on the assumption that actors in low-income countries indeed have the capability to commit, but that ‘gaps’ or missing pieces of the capacity machinery account for the lack of effectiveness. Funders are then usually puzzled and frustrated by actors that appear ‘unwilling’ to commit given the pressing needs to be addressed. Actors without this capability are usually characterised as lacking ‘commitment’ or ‘political will’. The deeper explanations – usually political, cultural, psychological, social – also do not lend themselves easily to the conventional ‘needs assessment’ or capacity analyses.

This core capability depends on a series of what we call skills or abilities, including:

- the ability to encourage mindfulness;
- the ability and willingness to persevere;
- the ability to aspire;
- the ability to embed conviction;
- the ability to take ownership; and
- the ability to be determined.

The core capability to carry out technical, service delivery and logistical tasks

This second core capability underlies the most common way of thinking about capacity issues. From this perspective, organisations or systems are in the performance and results business. In most circumstances, they are supposed to deliver services, carry out functions, formulate policies, regulate activities, provide security or create some other form of public value. To do these things, they must carry out technical or logistical tasks such as programme analysis, financial management, project management, advocacy, community policing, vaccination campaigns, public communications and many others. The emphasis is on functional, instrumental ways of meeting a set of objectives and fulfilling a mandate.

This core capability is focused on what many see as larger development results – organisations are regarded as performance actors designed to act in accordance with technical and policy rationality. Attention to this capability matches up with the pressing need for IDAs to achieve or at least to be perceived to be achieving, substantive development outcomes. Many country governments also feel more comfortable with this instrumental perspective on capacity given the resultant shift of attention away from politics and power.

We can distinguish two kinds of organisations:

- Organisations focused on delivering programmatic results such as better policies or improved environmental protection. Task accomplishment was about executing or implementing to a certain standard. In many cases, this capability was equated with effective performance management in the form of better service delivery.
- Organisations concerned with improving the capacity of others. These included support or bridging organisations as opposed those engaged in policy or production or service delivery.

The core capability to perform, deliver services or achieve results is an obvious and crucial element of the capacity puzzle. Participants need to make sustained efforts to understand and strengthen the interconnections between capacity and performance. In particular, they need to be clear about which technical or logistical capabilities are crucial to generating results over time.

For an example of where this was done we go beyond the cases done for this study to the Public Financial Management Programme in Tanzania, described in the box below.

Box 4: Building a capability for financial management: the Tanzania experience

The reform of financial management has had a long history in Tanzania. By the mid-1990s, at least nine donors had separate programmes designed to improve the performance of the government's financial systems. But such efforts lacked connection to a coherent strategic approach to reform. In 1997/98, with the support of Sida and DFID, the government launched the Public Financial Management Programme that is generally felt to have been a success. Among the critical factors that led to this success were: collaboration among key donors and the government; the technical expertise and commitment within the Ministry of Finance; effective sequencing of the reforms with efforts at expenditure control; the gradual introduction of the International Financial Management System; institutional reform of rules and regulations; recruitment, incentives and training for local IT staff; and the effective use of external TA. Underlying these factors was a special set of conditions: a political leadership committed to improved performance in the public sector in general and the Ministry in particular, a culture of donor collaboration, a stable political system that could, in turn, support stability in key public appointments and improve conditions for staff. Being able to put in place a comprehensive approach to capacity development is itself a rare capability that few governments can successfully attempt.

The core capability to carry out technical, service delivery and logistical tasks includes the following capabilities:

- to deliver services;
- for strategic planning and management ;
- for financial management.

The capability to carry out technical and logistical tasks needs to be supplemented and combined with the four other capabilities to enable sustainable capacity to emerge.

The core capability to relate and to attract resources and support

This third core capability had profound implications for what the participants actually did as opposed to what they reported on. This was the capability to achieve a basic imperative of all human systems, i.e. to relate and survive within the context and in connection with other actors. From this perspective, capacity was not just about the capability to achieve results and carry out programme delivery. Capacity was also about being able to craft, manage and sustain key

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relationships needed for the organisation to survive. In the real world, organisations needed to attract support and protection, and to enter into relationships that produced new sources of funding, staff and learning. They could more effectively pursue their mandated goals provided they gained the legitimacy, operating space, control and buffering they needed to sustain themselves in a difficult context. This capability is particularly relevant in many low-income countries that are struggling to put in place an institutional and organisational infrastructure.

In the cases, systems ranging from individual organisations to whole governments had to organise themselves in ways that gave them the access to the resources they needed to keep going. Protecting the technical core of the organisation or system was key. Without this capability, the chances of achieving a level of real performance were not likely to be good. Thus in answer to the often-posed question ‘capacity for what?’, this capability has to do with consolidating and defending the system’s autonomy, functioning and existence. Actors needed the capability to manage symbolic appearances, to communicate effectively, to enter into productive partnerships and alliances, to manage political conflict and, in general, to secure the organisation’s operating space.

This capability also had political aspects. Organisations frequently had to compete for power, space, support and resources with a variety of other actors, including individuals, informal groups and networks and other formal actors. Capacity, especially in the public sector, was thus an outcome of political conflict, bargaining and elite accommodation. Both individuals and organisations tried to establish norms of reciprocity that could be used to address collective action problems. Individuals and groups tried to capture other organisations and use them for public or private purposes. Organisations struggled to institutionalise themselves and to make sure the ‘rules of the game’ favoured their interests. Systems whose capacity was being developed were part of a wider context within which they competed, collaborated and co-evolved with other actors. Mandate, positioning and the system’s operating logic affected this core capability.

This capability operated as much through the informal and the intangible as it did through the formal and the tangible. Operating space, key relationships and legitimacy were usually secured through informal means. Formal structures are frequently induced or imposed through external demands and tend to get detached from the context in which they function. A preoccupation with strengthening this type of core capability comes with obvious risks. Among the cases, actors needed operating space if they were to have a real chance of building their capacity. They needed political support and alliances to function. But systems that became obsessed with their own survival and vested interests lost the capability to innovate and experiment. They defended their interests using mainly political methods. Performance was quickly sacrificed or at least produced through symbolic means. Loyalty was rewarded over efficiency. The system focused inward in an effort to defend its self-interest.

The core capability to relate includes the following capabilities:

- to earn credibility and legitimacy;
- to buffer the organisation or system from intrusions;
- to earn the trust of others, such as donors and clients; and
- to combine political neutrality and assertive advocacy.

The core capability to adapt and self-renew

The fourth core capability that showed itself in the cases was that of adaptation and self-renewal. Almost all the cases organisations were situated in a context of rapid, sometimes destabilising change. What was clear in almost all cases was the pace of change that acted to shape the nature of the tasks facing the participants and to erode the existing capabilities of those organisations that failed to keep up. The process of capacity development frequently took place in a context of enormous institutional upheaval. Windows of opportunity for capacity development opened and then closed. In Papua New Guinea, for example, where Ministers and senior officials rarely lasted in a job for more than two years, problems appeared in the form of complex, ‘wicked’ patterns that were resistant to simple solutions. Factors that used to be seen as transitory constraints on effective implementation – political conflict, civil strife, cultural dislocation – were becoming permanent conditions.

The capabilities associated with adaptation and change included:

- to improve individual and organisational learning;
- to foster internal dialogue;
- to reposition and reconfigure the organisation;
- to incorporate new ideas; and
- to map out a growth path.

The core capability to balance diversity and coherence

All the case actors needed to deal with the challenge of managing the balance between diversity and coherence. We can look at this issue from two perspectives. First, organisations needed different capabilities, interests and identities, and a variety of perspectives and ways of thinking. In practice, the benefits of this diversity helped them to build their resilience. Yet at the same time, they had to find ways of reining in the fragmentation to prevent the system losing focus and at worst, breaking apart. Increasingly, the pressure on all systems was on the side of greater complexity, diversity and fragmentation. They thus needed ways to balance diversity and coherence, and to encourage both stability and innovation.

The organisations also struggled to balance their different capabilities. If they paid too little attention to the technical and the substantive, they began to lose a sense of themselves as human community. Too much attention to the ‘soft’ capabilities, and they began to lose the ability to deliver technical value and services. Some key capabilities were in contradiction, such as those to with innovation and those to do with coherence and stabilisation. Effectiveness often came at the expense of efficiency. All the actors tried to achieve some balance and coherence amongst their capabilities. Often, this balancing involved trade-offs between, for example, being ‘technocratic’ and ‘political’ at the same time; having ‘hard’ versus ‘soft’ capabilities; focusing externally and internally; focusing on the short versus the long term; emphasising performance versus capacity; and being centralised or decentralised.

Some organisations tried to centralise this capability, only to lose effectiveness as innovation and flexibility were lost. They then entered into a period of oscillation in which the system swung back and forth from decentralisation to centralisation then back again. Some of the actors

Annex 3

mounted multi-component strategies to achieve greater coherence including the upholding of certain values, the recruitment of particular types of people, the attention to communication and openness and the use of cross-functional, cross-country, cross-disciplinary teams and management groups. The need for this capability was key at the programme and sector level given the long-standing independence of many of the actors.

The core capability to balance diversity and coherence includes the following capabilities:

- to communicate;
- to build connections;
- to manage diversity; and
- to manage paradox and tension.”

Annex 4: Other Donor Activities in Economic Governance					
AREA	DONOR	OBJECTIVES	PROGRAM DESCRIPTION AND KEY ACTIVITIES	\$/PERIOD	LINKS TO AIPEG
Tax Administration reform	World Bank	To increase rate of compliance with tax system among individuals and corporate taxpayers, and improve good governance (especially transparency and accountability) in tax administration	<p>Project for Indonesian Tax Administration Reform (PINTAR) PINTAR will be focused on technology, process and people, aimed at system development and automation of business processes. It offers a possibility to adopt a comprehensive reform approach for human resource management and IT reforms.</p>	<p>Approx US\$150 million</p> <p>To commence mid 2009</p>	<p>Potential areas for collaboration:</p> <p><u>Human Resources:</u> TAMF Central HR Advisor to instigate HR initiatives that support the PINTAR program (e.g. leadership training and change/performance management)</p>
		Program will facilitate poverty-reduction, by fostering higher resource mobilization, and effective public management at local levels.	<p>Government Financial Management & Revenue Administration Project (GFMRAP) Project aims to lock in major policy and process reforms, to strengthen efficiency, governance, and accountability in public financial management, and the revenue administration; finance core investment and technical assistance (TA) to implement these reforms; and, facilitate coordination of donor TA. Comprises: 1) the Public Financial Management component will strengthen the effectiveness, transparency and accountability of national government spending 2) the Revenue Administration component aims to enhance revenue collection, compliance, integrity and trade facilitation; 3) the Governance and Accountability component shall strengthen entities, functioning as strategic "checks and balances" in the broader governance and accountability framework The current GFMRAP Project Phase II is focusing on IT project</p>	<p>US\$80 million</p> <p>9 June 2005 to 30 Sept 2009</p>	<p><u>E-Learning:</u> TAMF has recently funded the development of 8 E-learning modules and there is an opportunity for DGT to use this methodology for training required under PINTAR.</p> <p><u>Outbound Call Centre:</u> A component of the Pintar program includes the development of a call center. WB could utilize trained staff, or at a minimum utilize the lessons learnt from this TAMF Activity.</p>
		To pilot support to district (kabupaten) governments in improving transparency, accountability and public participatory practices, and, in undertaking reforms in financial management and procurement.	<p>Initiatives for Local Governance Reform Project Establishment of a set of minimum reforms in public participation, transparency, financial management and procurement as well as in preparing a participatory Poverty Reduction Strategy and Action Plan (PRSAP). Includes provision of general facilitation, technical assistance and capacity building in: local governance reform (Budgeting Process, Kabupaten Budget Implementation and Financial Management and Reporting; and, Strengthening the Accountability Mechanism) and poverty targeted investment (ie. supporting pro-poor development expenditures) at the district, regional and national level. The activities also include: general facilitation and specialized technical assistance; capacity building, training/workshops and, monitoring, evaluation, and studies/surveys.</p>	<p>US\$46.3 million</p>	<p><u>Data Improvement:</u> TAMF and USAID have recently supported a number of Data Improvement Activities including sector surveys, data evaluation, and e-views training. The WB could utilize the lessons learnt from these Activities and AIPEG / WB/USAID could also cooperate future data improvement initiatives i.e. support PINTAR program.</p>

	IMF	To develop reliable administration and system and to promote the voluntary compliance	IMF support to the Government of Indonesia including the provision of technical advisers, improve compliance in Tax Audit management strategy and risk based system, audit training and organization strengthening; develop DGT's business strategies, modernisation programs, business processes IMF resident tax administration advisor assist DG Tax in coordinating donor assistance.		
	USAID	Develop Reliable Administration & System and integrated information system	Develop policy and operation to support strategic planning, internal audit, investigation unit; support data processing center (DPC)		
	JICA	To create Integrated & Professional Human Resources	TAX public relation (website, tax education programs) and Human Resource system		
	SIDA	To develop and implement a modern compliance plan and develop modern risk management model	Promote compliance: (tax audit and risk management, tax accountancy system)		
Treasury (domestic and external loan management, some cash management)	USAID		Placement of Adviser focusing on secondary market development		
	JICA		Engagement has recently finished		
	WB		Provision of Short Term Technical Assistance to DGDM and training courses in debt management. The Bank needs to identify the STTA area that aligns with DGDM strategic framework which will contribute well with other donors assistance, ie. USAID re-engaged adviser with focused on secondary market development		
Financial systems stability:	WB		Some keys activities including: Modelling exercise / survey of Employee Pension Fund; Study of Tax regulation on financial and capital market; Banking systems, safety nets, SME access to micro finance and Insurance guarantee scheme		
	IMF		Provide Adviser in BI in financial supervision and other technical support		
Banks and NBFIs	ADB		Provision of Technical Expertise in Bapepam-LK in the areas of Bond Market Development, Syariah Capital Market and Risk Management; support the counterpart in implementation of Social security (Pension fund) and capacity building in Research Department		

Anti Money Laundering	USAID	<p>USAID's Financial Crime Prevention Project (FCPP) is designed to strengthen Indonesia's ability to combat financial crimes.</p> <p>To assist Indonesia improve two key MCC policy indicators: Control of Corruption (and increased Immunization coverage)</p> <p>Goal: Indonesia achieving MCC Compact eligibility.</p>	<p>Financial Crime Prevention Project (FCCP) FCCP provides technical assistance to the Financial Intelligence Unit (PPATK), Supreme Audit Commission (BPK), the Attorney General's Office, the Corruption Eradication Commission (KPK), and the Ministry of Finance-Inspector General Office. FCCP's work aids Indonesia's own efforts to build a more modern legal and institutional framework to detect and prosecute corruption and financial crimes. USAID also supports activities that work with the Central Bank and commercial banks on Know Your Customer principles and other specialized training to enhance financial sector stability and soundness. USAID's effort has been promoting the Indonesian financial sector's safety and soundness, which will lead to increased investment, growth and job creation.</p> <p>Millennium Challenge Corporation (MCC) Threshold Program TA and training and provision of equipment focused on implementation of administrative reforms and greater judicial transparency, increased enforcement capabilities to fight money-laundering, prosecution of cases of public corruption, and reduction of opportunities for corruption through the modernization of public procurement systems. MCC related activities: PPATK - Enhance the "Know Your Customer" education and public awareness campaign; Increase the capacity of PPATK to receive and analyse online financial reports; establish an online communications system between PPATK and law enforcement agencies; Improve the Capability of the Corruption Eradication Commission (KPK); Implement Electronic Government Procurement and Increase Immunization Rates - Build Capacity and Public Awareness</p>	<p>\$7.2 million (June 2004 – June 2008)</p> <p>\$35 million focused on anti-corruption and \$20 million on immunization activities over two years</p> <p>2007 – 2009.</p>	<p>Future potential collaboration with AIPEG in provision of TA from PPATK's Australian counterpart in HR and IT area</p> <p>TA to PPATK in revising the Anti-Money Laundering Law, including expanded investigative authority for PPATK and other GOI agencies.</p> <p>Use TAMF methodology in delivery of participatory training sessions involving financial institutions, financial regulators, investigators, prosecutors, and judges.</p>
	IMF/UE		<p>Public Financial Management and Revenue Administration Program IMF will be the implementing agency, using funds provided by the European Commission. The program will target NPO (Non-Profit Organizations) and alternative remittance service providers.</p>		
	WB/UN	<p>Help developing nations recover billions of dollars of looted funds</p>	<p>StAR (Stolen Asset Recovery) Program World Bank/UN will facilitate processes to trace and return stolen assets and wealth, especially those kept in developed nations, to the developing nations of origin. In 2007, World Bank organized one-week AML training in Jakarta for FIU and law enforcement officials in the ASEAN region. The training covered the a-z of AML, from basic concept to law enforcement processes.</p>		

Trade	USAID	To improve Ministry of Trade capacity and organizational effectiveness in addressing both domestic and international trade issues that will promote an enhanced trade regime, an improvement in the investment climate, and increased employment	Indonesia Trade Assistance (ITAP) ITAP contributes towards capacity building in trade law, economic analysis and human resource management, contributing to improved organizational capacity and increase in participants' knowledge and professional job competence in trade issues. ITAP consists of long- and short-term TA, commodity support and training and conferences. Emphasis on international trade issues. It includes: Support for WTO compliance and the DOHA development agenda; activities to enhance inter-agency coordination on trade related matters, including cross ministerial technical assistance and training; Intellectual Property Rights (IPR); Legal drafting and legislative reviews related to investment, trade, property and other laws affecting the trade agenda; Analytical skills development; Ministerial capacity development on international Trade in Law and International Trade Policy; institutional strengthening (support HR development) and Reduction of Non-tariff barriers.	\$82.7 million over five years (2004-2008)	Use of TAMF's Trade Training Needs Assessment to support other donor programs Potential for AusAID to continue to work together on policy analysis, with TAMF utilizing WB work on domestic services to support its in-depth policy analysis of service sectors.
	World Bank	Increase MoT capacity to deliver core services on domestic and international trade policy, trade negotiations, investment policy and management of staff training.	Multi Donor Trust Fund for Trade and Investment Climate Fund aims to support economic ministries/agencies in investment climate forum. The indicative MDF activities will cover trade and investment components. The trade component including improve HR training management and training to increase skill of staff, improve Ministry of Trade's institutional structure through setup the specialists teams, and provision of advisory services. Investment climate component comprises of capacity building for better policy coordination, technical assistance on regulatory and financial sector reform, and advisory services provision	Indicative funding US\$6.7million (from Netherlands) 4 years starting late 2008	Further cooperation and opportunities for synergies will be in HR and capacity building
	JICA	Improve Ministry of Trade capacity and Institutional Strengthening	Capacity building to implement WTO policies, investment promotion policy, export promoting; competition policy and administration; Institutional reform at National Agency for Export Development	-	
Public expenditure management	ADB		Loan and TA assistance – audit and public procurement		
	CIDA		TA financial management system fiscal framework		

Annex 5 Roles and responsibilities

This Annex provides a summary table listing a “who’s who” of relevant stakeholders in alphabetical order, followed by details below on roles and responsibilities by stakeholder.

Summary Table

Abbreviated Title	Title in Full	Role
AB	Advisory Board	Five Indonesian specialists and two Australian senior representatives who meet six monthly to provide strategic program direction.
AusAID	Australian Agency for International Development	Donor and executing authority for the Government of Australia (GoA)
CMEA	Coordinating Ministry for Economic Affairs	Executing authority for the Government of Indonesia (Gol)
EC	Executive Committee	Gol and GoA Co-Chairs of the Advisory Board The highest decision-making authority for the Facility
FET	Facility Evaluation Team	Three-person team to be nominated by AusAID and Gol and contracted by the MC to undertake regular evaluations and report to the AB
JAP	Joint Appraisal Panel	Panel made up of representatives from AusAID Jakarta, Bappenas and the MST to appraise FRIP activities.
MC	Managing Contractor	Contracted to AusAID to implement the Facility
MST	Management Support Team	Jakarta-based team contracted by the MC to manage and monitor the Facility, and service the AB/EC
	Sub-contractors	Advisers/implementers of approved activities in accordance with signed contracts either with Gol for Sub-facility activities or MST for Facility wide activities
	Sub-facilities	Coordinated group of activities within up to six (at any one time) targetted Indonesian partner agencies
TSP	Technical Support Pool	Pool of pre-qualified international or local specialists to provide short-term technical advice

Roles and Responsibilities of Each Stakeholder

Advisory Board

The role of the Advisory Board is as follows.

- Provides high level advice on the strategic direction of the Facility;
- Connects the Facility to other arms of government and a broader economic governance constituency in both Indonesia and Australia;
- Considers the Facility Review and Implementation Plan (FRIP), the Performance Assessment and Evaluation (performance assessment and evaluation) reports and any supplementary briefings provided by the MST and FET.
- Makes recommendations to the EC on the appropriateness of the program of assistance proposed for each of the six core policy areas.
- Provides observations and advice to the EC on issues which may influence the direction of future assistance both in relation to existing sub-facilities and possible political, institutional and social changes which may require a corresponding change in program mix.
- Gives broad direction-setting regarding potential areas of focus for unallocated funds available to support emerging issues.
- Engages with external reviewers of AIPEG, as required.

AusAID

Engagement and management oversight will be through AusAID Jakarta. Key AusAID actors include the Minister-Counsellor as Co-Chair of both the Advisory Board and the EC, the AusAID Economic Adviser, Development Program Specialist – Governance, AIPEG Facility Activity Manager. This core group will be supported by other parts of AusAID Post and Canberra.

AusAID collectively is responsible for the following:

- Conducting the selection process and contracting the AIPEG Managing Contractor;
- Co-chairing the AIPEG Advisory Board Participating and the EC;
- Annual budgeting, financial planning, the provision of funds (payment of MC invoices according to the contract), monitoring of expenditure and review of annual audits of the Trust Fund;
- Chairing the Joint Appraisal Panel which meets prior to EC Meetings and prepares recommendations for the EC on whether proposed new activities meet funding criteria and therefore should be funded;
- Ensuring the Joint Appraisal Panel approves small proposals (under \$100,000) efficiently and quickly;

- Monitoring and managing program quality and coherence, and MC performance;
- Monitoring implementation progress
- Reviewing Facility Evaluation Team's reports and engaging in the issues;
- Fostering a proactive approach to management and approving variations to the MC contract if appropriate;
- Consideration and approval of MC reports and milestones;
- Coordination with Whole of Government, including liaison with coordinators of the Government Partnership Fund.
- Commissioning and jointly conducting with the FET the two periodic reviews at the end of Year 2 and Year 4.
- Commissioning and management of an Independent Completion Report.
- Coordination with other donors.

Coordinating Ministry for Economic Affairs (CMEA)

The CMEA will be responsible for the following.

- Co-chairing the Advisory Board and the EC;
- Liaison and coordination with AusAID concerning the Facility direction and progress;
- Ensuring that potential partner agencies are aware of the technical assistance and capacity development opportunities provided by the Facility;
- Potentially hosting a new sub-facility on Policy Coordination from Year 2.

Core Group

The Core Group is made up of Senior GoA officials (often heads of department/agencies) who coordinate the Government Partnership Fund from Canberra.

Executive Committee (EC) the AB meetings

The role of the EC is as follows.

- Ensure the provisions of the AIPEG Subsidiary Agreement are being met.
- Co-chair Advisory Board, approve FRIP (Facility Review and Implementation Plan) and performance assessment and evaluation (Performance Assessment and Evaluation)
- Provide advice and make decisions as required

- Considers the recommendations of both the Advisory Board and the Joint Appraisal Panel and approves (or rejects) activities nominated in the forward program
- Decides which Sub-facilities and/or activities will be reviewed by the Facility Evaluation Team as part of the six-monthly Performance Assessment and Evaluation (PA&E) exercises.

Facility Evaluation Team (FET)

The FET is a three-person team contracted by the MC to undertake regular evaluations and report to the AB. It will include one Indonesian member nominated by GoI and two international experts nominated by AusAID. Between them the three members will have expertise in monitoring and evaluation (M&E), economic governance and the Indonesian policy context.

FET's functions resemble, but are not identical to, the functions performed by the former Technical Support Group in TAMF III. The FET will:

- Work with the MST and GoI to tailor the draft AIPEG M&E Framework into a document which will guide M&E work plans and produce results relevant to the needs of both GoI and AusAID;
- Undertake the six-monthly performance assessment and evaluations (PA&Es) for the duration of the program. PA&Es meet the requirements of Levels 3-5 of the M&E Framework;
- Participate in the Sub-facility reviews which inform the transitioning of "mature" Sub-facilities;
- With AusAID, conduct Facility-wide reviews at the end of Years 2 and 4;
- Reports in writing to the Advisory Board and MST on its findings and recommendations;
- Provide M&E leadership to all AIPEG stakeholders, including conducting training workshops if required.

FET visits will be scheduled to be conducted six-monthly in a regular cycle timed to precede FRIP development and Advisory Board meetings.

Government Partnership Fund

A twinning program between Australian and Indonesian public sector agencies operating in parallel with Facility activities under the AIPEG umbrella.

Joint Appraisal Panel

A three-person panel which reads and appraises all applications for activity funding from Sub-facilities in terms of feasibility of design, and value for money, and makes recommendations to the EC prior to its six-monthly consideration of the FRIP. The JAP will include representation from AusAID (Chair), Bappenas and the MST. It will meet

six monthly prior to EC consideration of FRIP reports so that it can brief EC members. It will also meet as required beyond these two set meetings if required. The MST will provide secretariat services including setting meeting dates, agendas and preparing and distributing a summary record of each meeting.

The JAP will be given delegation to approve small activities (under \$75,000) to avoid delay and to avoid taking up the time of the EC if the activities are considered to be both beneficial and low risk.

Managing Contractor (MC)

The MC provides all management services necessary for the effective and efficient operation of the AIPEG Facility. The MC is expected to operate out of two offices with the majority of functions being conducted in Jakarta. Staffing will include:

- A head office team, comprising the part-time services of an MC Corporate Representative and an Accountant;
- A Management Support Team in Jakarta led by a Facility Director. Other international positions include a Deputy Facility Director and Activity Design and Management Mentor. National positions include a Gender Coordinator, Program Coordinator, Management Information System Coordinator, Finance Officer, Facility Administrator(s) and driver.

Position descriptions for the MC team members are provided in Annex 9.

The MC's combined management roles include the following:

- Coordinating stakeholders and establishing collegiate productive relationships;
- Secretariat to the Advisory Board including organizing meetings, travel by delegates, the agenda and preparation and distribution of minutes.
- Selecting, contracting, briefing, mobilizing and performance managing the MST, Sub-facility and Technical Support Pool personnel.
- Contracting the FET, in liaison with AusAID and GoI who will nominate the three FET members.
- Managing a rolling annual activity plan and budget summarized in Facility Review and Implementation Plans (FRIPs) framed to support AusAID's Quality at Implementation (QAI) reporting.
- Oversight of a portfolio of activities implemented by Sub-facilities following appraisal by the Joint Appraisal Panel and approval by the EC.
- Capacity development of Sub-facilities to select and sub-contract inputs to activities in a transparent documented manner, if required;

- Developing and operating financial, planning and management information systems to support data collection and management, monitoring, performance assessment, review and evaluation.
- Documentation of systems in the AIPEG Operations Manual, and regular updating and distribution of the Manual in electronic format as required.
- An in-house training program that will ensure that relevant staff of the MST, TSP, FET, Sub-facility Partners, CMEA and AusAID understand and can use the AIPEG Operations Manual.
- Monitoring and quality assurance, as per Levels 1 and 2 of the M&E Framework.
- Ensuring that gender equality considerations underpin AIPEG Facility planning and implementation.
- Risk management and mitigation.
- Regular liaison and timely reporting which aligns with the needs of AusAID's Quality Reporting System and GoI's monitoring systems.
- Contribute to donor coordination on economic governance.
- Liaison with AusAID and GOI to coordinate with other AIP initiatives as appropriate, particularly the Australian Development Scholarships (ADS) program.
- Supporting reviews including the Periodic Reviews late in Years 2 and 4.
- Any other tasks to ensure compliance with the head contract with AusAID.

Partner Agencies

Partner agencies host Sub-facilities and must have full ownership of activities. They will have the following responsibilities in the implementation of activities.

- With support from the MST, be involved in design and implementation of activities and be responsible for the activity outcomes.
- Provide timely counterpart support as committed in the activity design, such as staff, facilities, local costs.
- For any training activity (courses, work attachments, study tours) undertake selection of participants in line with the agreed selection criteria in the activity design, ensuring equitable participation of men and women.
- At the end of the activity complete an activity evaluation sheet expressing the level of satisfaction with the activity and assessing the activity achievements against the stated outputs/outcomes.
- Where appropriate according to the approved design, together with the sub-contractor arrange workshops/roundtables to disseminate outcomes of the activity.

- Cooperate with the MST Jakarta and/ or the FET in providing feedback for M&E.

Sub-contractors

Sub-contractors will implement Sub-facility activities and activities which are Facility wide, in cases where resources beyond the TSP are required.

Sub-contractors have the following responsibilities:

- Provide all contracted services at the highest standards so as to achieve the outputs/outcomes as set out in the activity proposal and the sub-contract.
- Establish effective working relationships with relevant stakeholders to maximize activity effectiveness and ownership.
- Prepare Reports, financial statements and invoices in accordance with the specific contract.
- Where appropriate according to the approved design, together with the partner agency arrange workshops/round tables to disseminate the outcomes of the activity.
- Be available to communicate in person or in writing with M&E personnel including those from the MST, FET and any independent reviewers.

Technical Support Pool (TSP)

The TSP is a Pool of pre-qualified international or local specialists who can be tasked to provide short-term technical advice as a stand alone activity or as part of a broader activity. Core positions include:

- Human Resources (HR) Adviser
- Gender Adviser
- Capacity Development Adviser
- Organisational Development Adviser
- Economic Policy Adviser
- MIS Adviser

Further details are provided in Annex 9. The focus for all advisers is on capacity development in their specific field of expertise. While there is a Gender Adviser, there is also expectation that all Advisers promote gender sensitive work practices and advice.

Annex 6 Summary of TAMF III Sub-facilities

Taxation

The taxation sub-facility, supporting the Directorate General of Taxation (DG Tax) in the Ministry of Finance, has been TAMF's most successful area to date. The appointment of a new Minister of Finance and new Director General Taxation in April 2005 has made a significant change in DG Tax's operational context with high level support for continuing reforms. Despite the increasing amount of support from a range of donors, the demands for support through TAMF have remained high because of its flexible and responsive nature.

The modernization program is still driving the DG Tax reform agenda, supported by three transformation directorates; Process, People and Technology. These directorates are responsible for the changes in following critical areas: 1) human resources and governance reform; 2) organization and business process reform; and 3) modernization of communication and information technology.

Success factors in TAMF's engagement with DG Tax include: responsive, flexible implementation; a progressive engagement strategy; strong support from senior management; a clearly identified transformation team responsible; a technically skilled and experienced lead adviser with skills in working with all level people; and successful coordination with other donors working in DG Tax.

TAMF has made significant contributions to the DG Tax modernization program through support for the head office re-structure; strategic planning; a communication strategy; and a training and capacity building plan. This has resulted in strong support from DG Tax leadership and staff for continued assistance from Australia for the tax modernisation program.

Financial System Stability

TAMF's support for financial system stability commenced in June 2000 with assistance for the Ministry of Finance's Monitoring and Governance Unit. The financial system stability sub-facility was later designed around five main components: support for the Financial System Stability Forum (FSSK); re-organization of Bapepam-LK; strengthening of Bapepam-LK; support for the Coordinating Ministry of Economic Affairs (CMEA); and anti-money laundering (AML).

As envisaged, the FSSK was to be the anchor for the Financial System Stability sub-facility. Although this forum did not initially have the necessary political influence to effect change, the emerging international financial crisis has seen a renewed political focus on financial system stability and elevated the status of the FSSK to a Secretariat supporting a Ministerial level committee.

The re-organization of Bapepam-LK supported the merger of Bapepam with parts of the old DG Financial Institutions and a major re-organization of Bapepam-LK along functional lines. The

institutional strengthening then undertaken complemented the GPF-based assistance from APRA, ASIC, RBA and other GoA agencies.

The current significant support to this sector is for the development of Crisis Management Protocols and Simulation testing which aims to assist the FSSK/Bapepam-LK to develop and test early warning systems for the Indonesian Financial Sector. In facing the current global economic crisis TAMF support to this activity is enormously strategic.

Support for the CMEA included assistance to develop a series of Economic Policy Packages; operationalization of the State Bank Oversight Committee; support for the State-Owned Enterprise Divestment Committee; and donor and industry coordination on selected financial matters.

Trade

TAMF initiated its support to the Ministry of Trade (MoT) in late 2004 in response to a direct request for technical assistance from the Minister of Trade, who has been a strong champion of reform within the Government of Indonesia. The key focus area of support to the MoT has been to support the formulation of better negotiation positions and strategies for international trade in services.

Ongoing support to establish and build the capacity of an International Trade in Services team within the MoT will enable this function to be transferred to the Ministry in 2009 from Fiscal Policy Office in the Ministry of Finance. In the interim, TAMF support entails a dual engagement with the Coordinating Team for the services sector in MoF and MoT.

Debt Management

TAMF support for debt management was originally provided to Directorate General Treasury in the Ministry of Finance, but since November 2006 has been provided to the Directorate General Debt Management (DG DM), created in June 2006 with three directorates: Debt Portfolio and Risk Management; Evaluation, Accounting and Settlement; and Islamic Financing Policy.

TAMF's work in debt management has faced many challenges resulting from these new structural arrangements and unclear boundaries of responsibility between the various institutions with a stake in Indonesia's debt management. Notwithstanding these challenges, technical assistance provided by TAMF has alerted the Government to significant issues in Indonesia's debt management regime and made recommendations which could result in significant savings to the budget.

While the sub facility has been problematic, DG DM senior management has expressed a strong desire for continued support, particularly for development of the agency's IT infrastructure vital to enable Indonesia to manage its debt portfolio. Given the current financial crisis there is likely to be a renewed focus on debt management and the new facility will be well positioned to provide support.

Annex 7 Monitoring and Evaluation Matrix

Level of monitoring	Key Performance Questions	Suggested sub-questions adapted to suit each partner/activity	Key Responsibility	Suggested Methods or Tools	Comments
1. Quality of activity processes and progress in terms of the delivery of outputs and achievement of objectives	<ol style="list-style-type: none"> 1. To what extent is each activity achieving its planned outputs? 2. What are the results of this activity? 3. Is the activity delivered efficiently? 4. What are the lessons learned for future activities? 	<ol style="list-style-type: none"> 1. To what extent has each activity identified where and how it can contribute to gender equality? 2. Have results benefited women and men differently and why? 3. Have activities been implemented in a cost efficient manner? 4. What lessons have been learned in relation to gender analysis and gender equality? 	<ol style="list-style-type: none"> 1. Activity implementers (e.g. Gol agencies, contractors, sub-contractors, advisers) 2. Random triangulation by MST 	<p>Internal monitoring systems using indicators for each activity output and objective. Select appropriate tools from following list:</p> <ul style="list-style-type: none"> • questionnaires • surveys • focus group meetings • trainers' reports • peer assessment • self-assessment • supervisor reports • etc. 	This level of monitoring includes accountability for expenditure by Ministries and DGs and their Advisers, as well as contractors, sub-contractors and other activity implementers
2. Quality of relationships and achievement of objectives within partner agencies/Sub-facilities	What progress has been made towards Sub-facility objectives?	<ol style="list-style-type: none"> 1. Are relationships between Australian and Indonesian partners contributing to good quality capacity development processes 2. What lessons have been learned about working in this partner agency? 	Facility Evaluation Team, focusing on one or two partners/Sub-Facilities each 6-9 months (as negotiated within AIPEG)	<p>The following tools may be useful:</p> <ul style="list-style-type: none"> • focus group discussions • joint seminars and workshops • key informant interviews • joint expert analysis) 	Representatives from other donor-funded programs in the sector could be included

3. Coherence between Facility-supported activities	Is there value in ongoing collaboration between Australia and Indonesia in each area, or demand for consideration of new areas?	What synergies can be obtained through collaborative work across Sub-facilities (e.g. joint sessions on capacity development, gender analysis, M&E etc.)	MST, providing advice in FRIPs to AB	<ul style="list-style-type: none"> • Six-monthly analysis by AIPEG governance and management stakeholders, including AB, MST and AusAID, taking advice from FET where appropriate 	This is more of interest to AusAID than other stakeholders, but Gol participation in analysis and decision-making is crucial to contribute to leadership and ownership
4. Achievement of Facility-wide objectives (which may be adjusted over time)	What changes have occurred in economic governance capacity within partner Gol agencies over time?	What other changes have occurred which may have been contributed to by the existence or work of the AIPEG Facility	<p>Facility Evaluation Team (both Indonesian and international specialists)</p> <p>MST to prepare annual Landscape Review</p>	Variety of research and evaluation methodologies relevant to assessing and analyzing changes in organisational capacity at a national level (methods are emerging from a variety of international studies in 2008)	Specialists from other donor-funded programs in the economic governance sector in evaluations, could be included where appropriate
5. Extent of achievement of and contribution to Facility outcomes	What is the nature and extent of the contribution by Facility-funded activities to the any changes?	What have been the other key contributors to improvements in economic governance in Indonesia and why have these contributions been successful?	Facility Evaluation Team (both Indonesian and international specialists)	Elements of contribution analysis ⁷ and other evaluation methods that maximise participation by Indonesian stakeholders, will be appropriate to answer evaluation questions 1-3 and made recommendations about future engagement.	Specialists from other donor-funded programs in the economic governance sector in evaluations, could be included where appropriate

⁷ Mayne, John 2001 “Addressing attribution through contribution analysis: using performance measures sensibly” in The Canadian Journal of Program Evaluation, vol 16, no. 1 pp1-24

Some guidance about methods and tools includes:

- At the *results* level, elements of contribution analysis⁸ and other evaluation methods that maximise participation by Indonesian stakeholders, will be appropriate to answer evaluation questions 1-3 and made recommendations about future engagement. Consideration should be given to including specialists from other donor-funded programs in the economic governance sector in evaluations, where appropriate
- As AIPEG is a Facility with multiple partners, the focus of M&E should be on methods which assess the *quality of decision-making*, *the quality of management processes* and the *quality of relationships*. This will require periodic and shared reflection by members of the AB about their role and contribution (i.e by inclusion of an agenda item once per year); use of AusAID's regular contractor performance system to assess the MST (ensuring GoI participation in the process); and periodic surveys by the FET of GoI partner agencies' perspective of the quality of the AIPEG Facility management. While analysis of relationships is notoriously difficult, efforts need to be made to monitor this element of the AIPEG Facility, given the centrality of relationships to success
- At the *Sub-facility level*, focus group discussions, joint workshops, key informant interviews and joint expert analysis (perhaps including representatives from other donor-funded programs in the sector) and other related tools will provide opportunities to answer monitoring questions 1- 4 (the mix and selection will need to be negotiated by the MST with each partner during the inception workshops and annual planning process)
- At the *activity level*, a wide variety of tools will be selected to suit the nature of the activity and the kind of information required. As each activity will be designed using a simplified project approach (a single objective and a clear and small number of outputs, with indicators which include elements of quality, quantity and time), it will be appropriate for them to include indicators as the basis for monitoring. For each activity, different indicators will be appropriate and different methods of gathering information required. For example, assessment of a new approach to graduate recruitment (where the indicator is "Ministry-wide graduate recruitment system, meeting MenPAN [Ministry of State Apparatus Reforms] guidelines, established by October 2009") could be undertaken using focus group discussions with new recruits, the DG's HR officials and MenPAN officials. In another example, say related to a study tour (where the indicator is "increased skills in method X among # officials from Y Section"), assessment could be undertaken through interviews by Advisers and senior staff of participants and their supervisors, three to six months after their return. As noted in Section 8.2, "the success of M&E systems depends on the way they are applied, and whether they can be used in a cost-effective and credible manner".

⁸ Mayne, John 2001 "Addressing attribution through contribution analysis: using performance measures sensibly" in *The Canadian Journal of Program Evaluation*, vol 16, no. 1 pp1-24

Annex 8 Implementation Schedules

(Excel spreadsheets – separate file)

Annex 9 Position Descriptions

Managing Contractor Personnel

Head Office:

- Corporate Representative
- Facility Accountant

Management Support Team (in Jakarta):

International⁹:

- Facility Director
- Deputy Facility Director
- Activity Design and Management Mentor

National:

- Gender Coordinator
- i. Program Coordinator
- Database Coordinator
- Finance Officer
- Facility Administrator(s)
- Driver

Technical Support Pool

International:

- Human Resources (HR) Adviser
- Gender Adviser
- Capacity Development Adviser
- Organisational Development Adviser
- Economic Policy Adviser
- MIS Adviser

Facility Evaluation Team

International:

- Economic Governance/ Public Sector Reform Specialist
- Monitoring and Evaluation (M&E) Specialist

National:

- Indonesian Economic Policy Specialist (to be nominated by GOI)

Sub-Facility Advisers (Not to be nominated in Tender)

- Adviser, Sub Facility X

⁹“International” indicates that the design has costed these positions as international , and “national” indicates that they have been costed as locally sourced. Tenderers are to nominate individuals who best meet the Terms of Reference for each position regardless of nationality.

Australia Indonesia Partnership for Economic Governance Position Description

Corporate Representative

Reports to: AusAID Activity Manager / own CEO

Location: Managing Contractor's head office or Jakarta.

Duration and Inputs: Part-time, long-term - 14 person months over 6 years (assumes 20% or 1 d per week on average) including visits to Jakarta every six months for approximately 7 days.

Key responsibilities/tasks:

- Key Managing Contractor interface with AusAID Activity Manager;
- Ensuring AIPEG complies with the AusAID head contract;
- Interface between the Managing Contractor and the AIPEG team;
- Provide leadership and quality assurance;
- Ultimate authority for financial management and accountability;
- Relationship management ensuring excellent interpersonal communications between facility personnel and AIPEG stakeholders.

Qualifications and Experience:

- Position of authority and leadership within the Managing Contractor entity;
- Proven ability to operate at a strategic level;
- Extensive practical experience in the management of contracts with AusAID or other aid donors;
- Demonstrated capacity to oversight quality assurance reporting;
- Excellent interpersonal and cross-cultural communication skills;
- Understands gender equality and the implications for Facility implementation, or prepared to attend gender awareness training;
- Program management experience in Indonesia or another South East Asian country highly regarded.

Australia Indonesia Partnership for Economic Governance Position Description

Facility Accountant

Reports to: Corporate Representative

Duration and location: Part-time, long-term, Managing Contractor head office.

Key responsibilities/tasks:

- Lead financial management of the Facility including budget and cash-flow preparation and monthly reconciliations of expenditure;
- Prepare quarterly financial statements and invoicing to AusAID;
- Oversight establishment, operation and annual audit of the Facility Trust Account;
- Train and mentor the MST team in financial management and reporting.

Qualifications and Experience:

- Tertiary qualifications in commerce or finance and current member of a recognised professional accountancy body;
- Experienced in donor project financial management and accounting requirements;
- Experienced in liaising with geographically dispersed teams;
- Good working knowledge of AusAID requirements;
- Good working knowledge of Australian Commonwealth Government Procurement Guidelines.

Australia Indonesia Partnership for Economic Governance Position Description

Facility Director

Reports to: AusAID Activity Manager / Corporate Representative

Location: Management Support Team (MST) Office, Jakarta

Duration and inputs: Full-time, long-term for duration of AIPEG.

Key responsibilities/tasks:

- Key AIPEG Facility interface with AusAID Activity Manager;
- Strategic leadership of AIPEG Facility including oversight of planning, budgeting, implementation and monitoring of the Facility as a whole and its component activities;
- Leadership of AIPEG team including directing, coaching, mentoring and performance assessment;
- Relationship management with Facility stakeholders including the Advisory Board, GPF Core Group, GOI and GOA agencies, AusAID, Sub-facilities, the Technical Support Team, the Technical Review Group and the Managing Contractor to ensure that the Facility is based on relationships of trust and that it contributes to the bilateral partnership;
- Lead risk management, quality assurance and adherence to AIP Country Strategy's themes of partnerships, anti-corruption, gender equality and performance orientation;
- Lead inception workshops with GOI Ministries/Directorates General on shaping of Sub-facility strategic direction and work plans including development of Terms of Reference for each Sub-facility Adviser;
- Provide leadership in the preparation of briefing and recommendations for the Advisory Board on both exit strategies for established activities and commencement of new activities through either new Sub-facilities or drawdown of funds for Immediate and Emerging Issues;
- In conjunction with the Corporate Representative, ensure contractual obligations are met.

Qualifications and Experience:

- Proven ability to undertake high level strategic dialogue with government officials, preferably in a public sector reform context;
- Proven track record of leading international multi-disciplinary teams for large-scale programs;

- Excellent communication skills and high level motivational skills for engaging both team and GOI colleagues;
- Demonstrated effectiveness in cross-cultural workplaces;
- Excellent understanding of, and preferably experience in implementing, public sector reform;
- Familiarity with international donor systems and requirements;
- Higher degree in social sciences (eg. organisational development, capacity development, economic policy, international development);
- Understands gender equality and the implications for Facility implementation, or prepared to attend gender awareness training;
- Fluency in speaking, reading and writing in English;
- Fluency in speaking and reading in Bahasa Indonesia.

**Australia Indonesia Partnership for Economic Governance
Position Description**

Deputy Facility Director

Reports to: Facility Director

Location: Management Support Team (MST) Office, Jakarta

Duration and inputs: Full time, long-term.

Key responsibilities/tasks:

- Support the Facility Director and deputise in his/her absence;
- Lead operation of the MST including physical establishment and maintenance of the MST office, design of the facility management system and manual, recruitment of locally engaged staff, oversight of procurement and expenditure;
- Lead the design and implementation of an appropriate selection process for Sub-facility Advisers, in accordance with Commonwealth Procurement Guidelines, following Sub-facility inception workshops;
- Oversight the development and management of the Management Information System (MIS) to ensure it meets the data needs for both management and M&E;
- Engage with Sub-facility Advisers and support development of their work programs including quality assurance of activity designs and performance assessment of personnel;
- Engage with the Gender Coordinator and support development of their work program; in conjunction with the Gender Adviser, ensure that obligations in regards to gender integration are met;
- Coordinate development of cross-Facility activities interacting with Sub-facility Advisers and advisers from the Technical Support Team;
- In conjunction with the Facility Director, ensure contractual obligations are met.

Qualifications and Experience:

- Excellent communication skills and high level motivational skills for engaging both team and GOI colleagues;
- Demonstrated effectiveness in a leadership role in cross-cultural workplaces;
- Demonstrated experience in the design and management of international donor activities, preferably capacity development activities in an institutional context;

- Good understanding of program effectiveness and monitoring and evaluation (M&E);
- Good working knowledge of the Commonwealth Procurement Guidelines and AusAID's anti-corruption policies;
- Degree in social sciences (eg. organisational development, program management, international development, economic policy);
- Understands gender equality and the implications for Facility implementation, or prepared to attend gender awareness training;
- Good understanding of public sector economic reform, and preferably the Indonesian context;
- Fluency in speaking, reading and writing in English;
- Ability to speak Bahasa Indonesia preferred.

**Australia Indonesia Partnership for Economic Governance
Position Description**

Activity Design and Management Mentor

Reports to: Facility Director

Location: Management Support Team (MST) Office, Jakarta

Duration and inputs: Full time, two years.

Key responsibilities/tasks:

- Support transition of quality assurance of activity design and management processes to GoI sub-Facility partner agencies;
- Conduct training workshops for Sub-facility staff including international AIPEG advisers in effective project design, implementation, monitoring and evaluation;
- Coach and mentor Indonesian officials in targetted partner agencies in designing activities to be proposed through the FRIPs for Facility funding;
- Coach and mentor Indonesian officials in targetted partner agencies in activity implementation including procurement processes, contracting, monitoring and reporting;
- Support the Deputy Facility Director to coordinate development of cross-Facility activities interacting with Sub-facility Advisers and advisers from the Technical Support Team;
- Support the MST in designing and running quarterly AIPEG seminars.

Qualifications and Experience:

- Excellent communication skills and high level motivational skills for engaging with both team and GOI colleagues;
- Demonstrated effectiveness in a capacity development role in cross-cultural workplaces;
- Demonstrated experience in the design and management of international donor activities;
- Excellent understanding of program effectiveness and monitoring and evaluation (M&E);
- Good working knowledge of the Commonwealth Procurement Guidelines and AusAID's anti-corruption policies;
- Degree in social sciences (eg. program management, international development);

- Understands gender equality and the implications for Facility implementation, or prepared to attend gender awareness training;
- Understanding of public sector economic reform desirable;
- Fluency in speaking, reading and writing in English;
- Ability to speak Bahasa Indonesia preferred.

Australia Indonesia Partnership for Economic Governance Position Description

Gender Coordinator

Reports to: Deputy Facility Director / works closely with the Gender Adviser

Location: Management Support Team, Jakarta

Duration and inputs: Full-time, long-term for duration of AIPEG

Key responsibilities/tasks:

- Establish a network of relevant contacts in gender empowerment in the AIPEG Sub-facility agencies and the Ministry of Women’s Empowerment;
- Support the Gender Adviser to design a Gender Strategy for the AIPEG Facility to promote gender integration in work plans and activities in accordance with both GOI policies and AusAID’s Gender Equality Policy¹⁰;
- Support the Gender Adviser to write guidelines on implementation of the Gender Strategy for inclusion in the operations manual and briefing of Facility personnel;
- Conduct training in gender awareness to AIPEG stakeholders;
- Support Advisers and GoI staff of sub-facilities in integrating gender into activity designs;
- Along with the Gender Adviser, support the Facility Evaluation Team to audit progress in gender integration across the Sub-facilities, and prepare an annual report on implementation of the Gender Strategy for the Advisory Board as part of the FRIP process;
- Promote gender equality in AIPEG Sub-facilities and the Management Support Team, including through provision of information on successful practical examples within AIPEG;
- Support the Facility Evaluation Team in integrating gender into evaluative research of AIPEG processes and outcomes;

Qualifications and Experience:

- Recruited locally and fluent in both Bahasa Indonesia and English;

¹⁰ Indonesian *Presidential Instruction (9/2000)* on mainstreaming gender into all development initiatives, and AusAID’s gender policy *Gender in Australia’s Aid Program – why and how*. This will be on a “best endeavours” basis developed in consultation with key stakeholders.

- Degree in social sciences (eg. Gender studies, human resource management, capacity development, international development),
- Experience in gender analysis and its application to international development projects in Indonesia;
- Knowledge of AusAID's Gender Equality Policy;
- High level computer skills in word processing and PowerPoint applications;
- Excellent communication skills including experience working cross-culturally;
- Ability to work under pressure and meet deadlines;
- Ability to work effectively as a member of a multi-disciplinary team.
- A knowledge of the Indonesian civil service and/or the broad gender implications of economic policy in Indonesia would be desirable.

Australia Indonesia Partnership for Economic Governance Position Description

Program Coordinator

Reports to: Deputy Facility Director / works closely with the Activity Design and Management Mentor

Location: Management Support Team, Jakarta

Duration and inputs: Full-time, long-term for duration of AIPEG

Key responsibilities/tasks:

[to be developed]

Qualifications and Experience:

- Recruited locally and fluent in both Bahasa Indonesia and English;
- Understands gender equality and the implications for Facility implementation, or prepared to attend gender awareness training;
- High level computer skills in word processing, Excel spreadsheet and Powerpoint applications;
- Excellent communication skills including experience working cross-culturally;

**Australia Indonesia Partnership – Economic Governance
Position Description**

Database Coordinator

Reports to: Deputy Facility Director

Location: Management Support Team, Jakarta

Duration and inputs: Full-time, long-term for duration of AIPEG

Key responsibilities/tasks:

[to be developed]

Qualifications and Experience:

- Recruited locally and fluent in both Bahasa Indonesia and English;
- Understands gender equality and the implications for Facility implementation, or prepared to attend gender awareness training;

Australia Indonesia Partnership for Economic Governance Position Description

Facility Administrator

Reports to: Deputy Facility Director

Location: Management Support Team (MST) Office, Jakarta

Duration and inputs: Full-time, long-term for duration of AIPEG

Key responsibilities/tasks:

- Support the Deputy Facility Director in establishment of the office, procurement and commissioning of office furniture and equipment;
- Establish and maintain electronic and paper filing systems;
- Organise supply of office consumables;
- Maintain registers of staff movements;
- Coordinate travel bookings for MST, Evaluation Team and Technical Support Pool personnel;
- Organise logistics for visiting Managing Contractor personnel and short-term advisers;
- Organise the driver's daily schedule and check the driver's log. book
- Other duties as required.

Qualifications and Experience:

- Recruited locally and fluent in both Bahasa Indonesia and English;
- Relevant tertiary qualification;
- High level computer skills in word processing, Excel spreadsheet and Powerpoint applications;
- Excellent communication skills including experience working cross-culturally;
- Understands gender equality and the implications for Facility implementation, or prepared to attend gender awareness training;
- Ability to work under pressure and meet deadlines;
- Experience supporting international donor projects highly regarded;
- Understands Commonwealth Procurement Guidelines, or prepared to attend training on CPG.

Australia Indonesia Partnership for Economic Governance Position Description

Finance Officer

Reports to: Deputy Facility Director / work closely with the Facility Accountant

Location: Management Support Team (MST) Office, Jakarta

Duration and inputs: Full-time, long-term for duration of AIPEG n

Key responsibilities/tasks:

- Establish accounts with utility and ICT service providers;
- Establish financial systems and standard forms;
- Prepare accounts and report monthly to Managing Contractor head office;
- Reconcile the Facility bank account monthly, organise cash withdrawals, manage the petty cash float and do banking for the office;
- Pay accounts and maintain audit trail including all receipts and vouchers;
- Organise the payroll for local staff;
- Coordinate staff medical cover, *jamsostek* and tax payments;
- Establish and maintain the Assets Register;
- Organise vehicle insurance and oversee maintenance;
- Organise other relevant insurance.

Qualifications and Experience:

- Recruited locally and fluent in both Bahasa Indonesia and English;
- Relevant tertiary qualifications in accounting or finance;
- Demonstrated skills and experience in an accounting or finance role in a multi-disciplinary team;
- High level skills in Excel and relevant accounting packages;
- Experience supporting international donor projects highly regarded;
- Understands Commonwealth Procurement Guidelines, or prepared to attend training on CPG.

Australia Indonesia Partnership for Economic Governance Position Description

Technical Support Pool¹¹ Gender Adviser(s)
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Reports to: Facility Director

Location: Based at home office, short-term inputs in Jakarta or from home office as appropriate.

Duration and inputs: Short-term inputs as per Tasking Notes (in accordance with MST and Sub-facility work plans), including one month during the establishment phase.

Key responsibilities/tasks:

- Design a Gender Strategy for the AIPEG Facility to promote gender integration in work plans and activities in accordance with both GOI policies and AusAID’s Gender Equality Policy¹²;
- Write guidelines on implementation of the Gender Strategy for inclusion in the operations manual and briefing of Facility personnel;
- Mentor the Gender Coordinator who will provide an ongoing presence and practical support to the implementation of the Gender Strategy;
- Conduct training in gender awareness to AIPEG stakeholders;
- Support Advisers and GoI staff of sub-facilities in integrating gender into activity designs;
- Support the Facility Evaluation Team to audit progress in gender integration across the Sub-facilities, and prepare an annual report on implementation of the Gender Strategy for the Advisory Board as part of the FRIP process;
- Provide ongoing specialist advice on Gender Equality to AIPEG Sub-facilities and the Management Support Team, including through provision of information on successful practical examples within AIPEG;
- Provide specialist inputs on Gender Equality as per specific Terms of Reference (to be developed by the relevant Sub-facility or the MST).

¹¹ The Technical Support Pool will include pre-qualified advisers with agreed fee rates who provide services to AIPEG on a regular basis thereby building up relationships with key AIPEG stakeholders.

¹² Indonesian *Presidential Instruction (9/2000)* on mainstreaming gender into all development initiatives, and AusAID’s gender policy *Gender in Australia’s Aid Program – why and how*. This will be on a “best endeavours” basis developed in consultation with key stakeholders.

- Support the Facility Evaluation Team in integrating gender into evaluative research of AIPEG processes and outcomes;

Qualifications and Experience:

- Higher degree in social sciences (eg. Gender studies, human resource management, organisational development, capacity development, international development, economics),
- Specific qualifications and expertise in gender analysis, and preparation of program gender strategies relating to both gender integration in the workplace and downstream program impact;
- Demonstrated effectiveness in an advisory role in cross-cultural workplaces;
- Excellent communication skills and high level motivational skills for engaging with relevant AIPEG stakeholders;
- Team player and ability to coach and mentor staff;
- Knowledge of AusAID's Gender Equality Policy;
- Experience in Indonesia or another South East Asian country highly regarded.

Specific¹³:

- *(to be developed by the relevant Sub-facility and quality controlled by Deputy Facility Director)*
- *(or to be developed by the MST if the input is to support facility-wide activities or direct support to the MST)*

¹³ Tasking Notes for inputs to Sub-facility or MST activities may specify additional requirements specific to the particular assignment. For the Gender Adviser(s) there may be a requirement for an Adviser to have a background in Economics if involved in a particularly technical activity (eg looking at downstream economic impacts on men and women of a complex economic policy decision). Alternatively, for generic public service reform type assignments it may be necessary for the Gender Adviser also to have a background in HR management. There will need to be flexibility, and conceivably more than one Gender Adviser in the TSP.

**Australia Indonesia Partnership for Economic Governance
Position Description**

**Technical Support Pool
Management Information System (MIS) Adviser**

Reports to: Deputy Facility Director

Location: Based at home office, short-term inputs in Jakarta or from home office as appropriate.

Duration and inputs: Short-term inputs as per Tasking Notes (in accordance with Sub-facility work plans) including a one-month input during Facility establishment phase.

Key responsibilities/tasks:

- In consultation with the Facility Director and Deputy Facility Director, design and establish the MIS for the AIPEG Facility to be located within the Management Support Team Office. This MIS will, at a minimum, include a database of all Sub-facility funded activities, personnel, milestones, Advisory Board and Facility Coordinating Committee Meetings.
- Provide ongoing specialist advice on Management Information Systems matters to AIPEG Sub-facilities and the Management Support Team;
- Provide specialist inputs on other Management Information Systems matters as per specific Terms of Reference (to be developed by the relevant Sub-facility, or by the MST if specifically supporting the MST).

Qualifications and Experience:

Generic:

- Relevant tertiary qualifications in management and information technology;
- Proven experience in creating Management Information Systems for international projects;
- Demonstrated effectiveness in an advisory role in cross-cultural workplaces;
- Excellent communication skills and high level motivational skills for engaging with relevant AIPEG stakeholders;
- Understands gender equality and the implications for Facility implementation, or prepared to attend gender awareness training;
- Experience in Indonesia or another South East Asian country highly regarded.

Specific: (to be developed by the relevant Sub-facility and quality controlled by Deputy Facility Director or to be developed by the MST if the input is to support facility-wide activities or direct support to the MST)

**Australia Indonesia Partnership for Economic Governance
Position Description**

**Technical Support Pool¹⁴
Human Resources Adviser**

Reports to: Deputy Facility Director

Location: Based at home office, short-term inputs in Jakarta or from home office as appropriate.

Duration and inputs: Short-term inputs as per Tasking Notes (in accordance with Sub-facility work plans).

Key responsibilities/tasks:

- Provide ongoing specialist advice on Human Resources matters to AIPEG Sub-facilities and the Management Support Team;
- Provide specialist inputs on Human Resources matters as per specific Terms of Reference (to be developed by the relevant Sub-facility, or by the MST if specifically supporting the MST).

Qualifications and Experience:

Generic:

- Higher degree in social sciences (eg. Human resource management, organisational development, capacity development),
- Demonstrated effectiveness in an advisory role in cross-cultural workplaces;
- Excellent communication skills and high level motivational skills for engaging with relevant AIPEG stakeholders;
- Understands gender equality and the implications for Facility implementation, or prepared to attend gender awareness training;
- Experience in Indonesia or another South East Asian country highly regarded.

Specific:

¹⁴ The Technical Support Team will include pre-qualified advisers with agreed fee rates who provide services to AIPEG on a regular basis thereby building up relationships with key AIPEG stakeholders.

- *(to be developed by the relevant Sub-facility and quality controlled by Deputy Facility Director or to be developed by the MST if the input is to support facility-wide activities or direct support to the MST)*

**Australia Indonesia Partnership for Economic Governance
Position Description**

**Technical Support Pool
Capacity Development Adviser**

Reports to: Deputy Facility Director

Location: Based at home office, short-term inputs in Jakarta or from home office as appropriate.

Duration and inputs: Short-term inputs as per Tasking Notes (in accordance with Sub-facility work plans).

Key responsibilities/tasks:

- Provide ongoing specialist advice on Capacity Development matters to AIPEG Sub-facilities and the Management Support Team;
- Provide specialist inputs on Capacity Development matters as per specific Terms of Reference (to be developed by the relevant Sub-facility or by the MST if specifically supporting the MST).

Qualifications and Experience:

Generic:

- Higher degree in social sciences (eg. education and training, capacity development, organisational development),
- Demonstrated effectiveness in an advisory role in cross-cultural workplaces;
- Excellent communication skills and high level motivational skills for engaging with relevant AIPEG stakeholders;
- Understands gender equality and the implications for Facility implementation, or prepared to attend gender awareness training;
- Experience in Indonesia or another South East Asian country highly regarded.

Specific:

- *(to be developed by the relevant Sub-facility and quality controlled by Deputy Facility Director)*
- *(or to be developed by the MST if the input is to support facility-wide activities or direct support to the MST)*

Annex 10 Risk Matrix

Risk event	Impact on Facility	L	C	R	Risk Treatment	Responsibility
Risks in the Facility Design and Management						
Level of interest among Indonesian agencies in generic cross Facility areas (eg gender, HR) is low	Inefficient utilisation of resources; opportunity for public sector reform lost	3	3	M	Design pilot activities and promote them to GoI agencies while waiting for demand to pick up (i.e. may need to be supply driven to start with)	MST/Advisers
Resistance by GoI agencies under TAMF to developing exit strategies/ being graduated from AIPEG	Limitation on expansion to new areas of need.	3	3	M	Engage Advisory Board. Manage relationships well with GoI agencies.	AusAID/MST/Advisory Board
Lack of interest in broader institutional development focus of new Facility	Lack of proposals for funding	2	3	M	Facilitated inception workshops between MST and each GoI agency to explain/promote broader approach; building relationships with leaders in GoI agencies interested in institutional reform, including HR and other aspects; engagement with other donor activities in this area of work.	MST, AusAID Economic Adviser
GoI's gender empowerment strategies in each agency not effective	Focal point for gender support not ready/able to benefit from AIPEG	4	3	M	Gender Adviser to thoroughly research GoI's gender integration strategy and support its unrolling in each Sub-facility/agency; Lead Advisers' Terms of Reference include gender integration support and their mobilisation briefing to include gender awareness training.	Gender Adviser, Advisers
Insufficient GoI "champions" for reform with whom AIPEG can work	Lack of proposals for funding	2	3	M	AusAID to expect slow take up of additional funding in first year and challenges with finding appropriate partners in new sub-facilities; MC to work with AusAID and AB to ensure adequate risk analysis of each activity with new partner.	AusAID, AB and MC
Advisory Board loses	Strategic focus & ability	3	4	H	Care taken in briefing and supporting members to the	AusAID, CMEA, MST

Annex 10

Risk event	Impact on Facility	L	C	R	Risk Treatment	Responsibility
capacity to provide strategic direction through resignation or unavailability at meetings of key members	to prioritise activities undermined; opportunities for informal interaction with GoI leaders lost				Board, setting meeting dates well in advance; prompt but thorough process to replace a Board member who resigns.	
AusAID annual Budget is insufficient to meet demand	Facility unable to implement all planned activities or respond to new priorities	3	2	M	Align AIPEG planning cycles with Australian budget timeframe Allow contingency in Annual Budget for high priority unforeseen, ad-hoc requests that fit within Facility parameters	MST/AusAID
AusAID annual Budget exceeds absorptive capacity of GoI agencies	Facility is unable to expend allocations	3	2	M	Long lead times for the development of new proposals; early planning for research into new Sub-facilities and negotiations with potential partners;	MST/AusAID
Activities not consistent with Facility objectives	Time spent on unsuitable activities	2	4	M	Ensure partner agencies and Lead Advisers are adequately briefed about Facility parameters prior to development of annual FRIP	Advisers/ MST
Facility design becomes out-dated or seen as too prescriptive.	Facility lacks resonance with reality and not meeting needs; impact lessened.	3	3	M	Proactive management by MST through the FRIP process used to recommend changes to the AB and EC. Agreed changes can be made leading to amendment of AusAID/MC contract.. Given that the time horizon is 6 years, the Mid Term Review will provide an opportunity to recommend updates to the design if required for the last 3 years.	MST, AusAID, MTR team, Advisory Board, Facility Coordination Committee
Transition from TAMFIII to AIPEG problematic	Goodwill in counterpart agencies lost; Staff become unavailable; momentum lost.	2	2	L	Transition Strategy developed by the Design Team to try to overcome transition problems and be as painless as possible for the counterpart agencies. Complexity will depend on whether there is a new MC and new Lead Advisers or whether there is continuity. Funding of overlapping hand-over period designed to allow for	Managing Contractor, MST, AusAID, Advisory Board.

Annex 10

Risk event	Impact on Facility	L	C	R	Risk Treatment	Responsibility
					“seamless” transition, even at the cost of some doubling up of personnel.	
Staff turnover (in AusAID, MST, Lead Adviser cohort) causes discontinuity in roles and activities	Delay and unmet expectations.	4	2	M	In a 6-year program there will be staff changes. Both AusAID and the MST will need to manage change in a positive way (e.g through requiring departing personnel to prepare handover notes and participate in specific handover discussions with successors; undertaking quality recruitment processes to select high calibre personnel; and by providing good briefing/orientation for new staff)	AusAID, MST, Advisers.
In being responsive to demand, Sub-facility activities are too disparate to form a coherent impact across AIPEG	Impact of AIPEG is dissipated	2	2	L	Advisers and MST should work closely with GoI agencies during the 6-monthly and annual planning process to identify opportunities to build linkages and coherence between activities	Advisers and MST
Poor relationships between key stakeholders	Poor quality management processes and decision-making leading to sub-optimal achievements	2	4	M	Focus in recruitment of AIPEG advisers should be on personal qualities as well as technical skills and experience. All parties will need to prioritise the achievement of effective professional relationships. If relationships fundamentally awry, assistance may be sought from skilled mediators and AusAID.	All parties
GoI agencies do not feel “ownership” of the activities or accept advice provided through AIPEG	Capacity development activities undermined and project impact lessened.	2	4	M	Demand driven approach should mitigate against GoI lacking interest in activities or their outcome. Focus on creating and maintaining effective inter-personal relationships at every level essential.	All stakeholders.
Association with GPF gives perception that AIPEG reflects donor’s agenda	GoI avoids engagement and proposals not received	1	2	L	AB leadership, AusAID communication and MC interaction at agency levels will all focus on AIPEG’s focus on responding to GoI priorities	All stakeholders

Risks in Operating Environment						
Downturn in the broader GoI/GoA relationship impacts on effectiveness of advisers embedded in GoI.	Undermines the credibility of Australian advisers from GoI viewpoint and therefore the effectiveness of capacity development.	1	4	L	In worst case scenario the Australian Advisers would be removed from Indonesia and the MST reduced to a skeleton staff until a more conducive operating environment returned.	AusAID, MST
Downturn in security as a result of an extreme terrorist event.	Temporary cessation.	1	5	M	MST to prepare a thorough Security Plan and keep it updated. All personnel to receive a security briefing and international advisers to be supplied with mobile phones loaded with key numbers relevant in an emergency. In worst case scenario the Australian advisers would be removed from Indonesia and the MST reduced to a skeleton staff until a more conducive operating environment returned.	AusAID, MST.
Changed GoI or GoA priorities in economic reform and economic governance	Need to review and restate priorities	3	2	M	Six monthly AB,/Core Group/EC meetings provide opportunity to speak frankly and share information about current and upcoming priorities; rolling FRIPs give opportunity to reframe activities though duration of long-term adviser contracts imposes some rigidity on sectoral focus.	AusAID, Advisory Board, Jakarta Core Group, Executive Committee (EC)
Outcome of 2009 Indonesia election protracted and members of new Cabinet not known for some time.	Uncertainty in forward planning particularly for the two new sub-facilities and identification of Immediate and Emerging needs.	3	3	M	Continuity in the four ongoing sub-facilities and new cross-Facility generic areas should provide sufficient focus of the facility. Planning and implementing of the new activities will be postponed but not abandoned.	AusAID, CMEA, BAPPENAS Advisory Board, EC

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Other donors do not prioritise coordination with AIPEG / sector experiences “donor crowding”	Synergies between donor programs not maximised; potential for duplication of effort.	2	2	L	AusAID uses its significant standing in Indonesia as bilateral donor to influence other donors; Lead Advisers to be tasked with understanding other donor activities in their portfolio (eg World Bank’s PINTAR in DG Tax) and to keep the MST informed; need for AusAID and MST to exchange information on relevant donor activities.	AusAID, MST and Advisers
Indonesia experiences a major financial or currency crisis and economic downturn	Services of Advisers more highly valued and prioritisation shifts to financial and economic technical and/or policy advice.	2	2	L	Consideration be given to increasing economic and financial advice and reducing generic advice (eg in HR) if financial crisis eventuated. FRIP and exception reporting provides opportunity for realignment of inputs.	AusAID, Advisory Board, EC, MST, Advisers
Flow of activities is “lumpy”, resulting in uneven use of resources	Pace of capacity development slowed due to lack of staff or funds at busy times; staff under-used at quiet times.	3	3	2	Monitoring of activities and thorough forward planning should mitigate this risk.	MST, Advisers
Technical Support Group’s recommendations lead to shift in priorities	Changed work plan or practices following liaison with stakeholders	3	3	2	Recommendations tested by Advisory Board and AusAID.	TSG, AB, AusAID, MST,
Adversarial relationship develops between TSG and other parties	Destructive relationships. Leadership and focus of Facility affected.	2	3	L	Appointment and contracting of the TSG by the Managing Contractor is designed to reduce this risk; all parties to be adequately briefed on respective roles and responsibilities.	Managing Contractor, TSG, MST, Advisers
<p>Key to codes L = Likelihood (5 = almost certain, 4 = likely, 3 = possible, 2 = unlikely, 1 = rare)</p> <p>C = Consequences (5 = severe, 4 = major, 3 = moderate, 2 = minor, 1 = negligible)</p> <p>R = Risk Level (4 = extreme, 3 = high, 2 = medium, 1 = low)</p>						

Annex 11 Persons consulted during design process

Name	Position	Organisation
Mahendra Siregar	Deputy Minister for International Economic and Financial Cooperation	Coordinating Ministry of Economic Affairs
Djunaedi Hadisumarto	Advisor	National Development Planning Agency, Republic of Indonesia
Jannes Hutagalung	Special Staff for Economic Policy Monitoring	Coordinating Ministry of Economic Affairs
Felia Salim	Deputy Director	Bank Negara Indonesia
Blair Excell	Minister Counsellor	AusAID
Sue Connell	Counsellor (Governance and Policy Coordination)	AusAID
Stephen Schwartz	Senior Resident Representative	IMF, Jakarta
Gavin E. J. Forte	Advisor to Directorate General Financial Institutions, Ministry of Finance	Deacons
Richard Brun	Advisor to Directorate General Debt Management, Ministry of Finance	Deacons
P. Usmanto Njo	Anti Money Laundering Advisor to PPATK	Deacons
Bernie Carmody	Team Leader, TAMF	Deacons
Stuart McAdam	Deputy Team Leader, TAMF	Deacons
Jon Brommelhorster	Senior Country Economist	ADB, Jakarta
Chatib Basri	Special Advisor to Finance Minister	University of Indonesia
	Head of LPEM – University of Indonesia	
Nathan Dal Bon	GPF Deployee	Tresury
Mark Kilner	GPF Deployee	Australian Public Service Commission
Hawari Badri	GPF Deployee	Finance
Staffan Synnerstrom	Lead Public Sector Specialist	World Bank, Jakarta
Muchtar	Director General for TREDAs	Ministry of Trade
Jennifer Lewis	Assistant Director, Fund Management	ASIC
Cheryl Cutmore	Manager, International Policy	ASIC
Vincent Ashcroft	Senior Representative, South East Asia Minister – Counsellor (Financial)	Treasury
Nerida Dalton	First Secretary	AusAID

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Jivan Sekhon	Second Secretary	AusAID
Robin Taylor	Counsellor, Infrastructure and Regional Development	AusAID
Rochelle White	Seconded to DSF, Decentralisation and Sub-national	AusAID
Andrew Dollimore	Manager, Infrastructure	AusAID
Patricia Bachtiar	Program Manager	AusAID
Anne Scott	Consultant	World Bank, Jakarta
Henry Sandee	Consultant	World Bank, Jakarta
Sjamsyu Rahardja	Economist	World Bank, Jakarta
Robert Pakpahan	Director of Business Process Transformation	Directorate General of Taxes, Ministry of Finance, Republic of Indonesia
Ihsan Priyawibawa	Deputy Director of Tax Service Development	Directorate of Transformation of Business Process
IGN Mayun Winangun, SH., LLM	Secretary General for DG Tax	Ministry of Finance
Luky Alfirman	Division Head of Organization and Procedure	Directorat General of Taxes, Ministry of Finance, Republic of Indonesia
Dr. Ir. Lukita Dinarsyah Tuwo, MA	Deputy Minister for Development Funding Affairs	Bappenas
Hadi Soesastro	Executive Director	CSIS
Sudarno Sumarto	Executive Director	SMERU Research Institute
Thee Kian Wie	Senior Researcher	LIPI
Dr. Rahmat Waluyanto	Director General	Directorate General Debt Management, Ministry of Finance
Herdaru P. Poerwokoesoemo	Secretary General of Directorate Debt Management	Ministry of Finance
Widjanarko	Director for Evaluation, Accounting and Settlement	Directorate General Debt Management, Ministry of Finance
Dahlan Siamat	Director for Islamic Financing Policy	Directorate General Debt Management, Ministry of Finance
Ayu Sukorini	Acting Director for Debt Potofolio and Risk	Directorate General Debt Management, Ministry of Finance
Dr. Maurin Sitorus	Director for Foreign Debt Management	Directorate General Debt Management, Ministry of Finance
Bhimantara Widyajala, CIA, CFE	Director for Government Securities Management	Directorate General Debt Management, Ministry of Finance
Gonthor Ryantori Azis	Head of International Affairs and Public Relation Division	Bapepam-LK, Ministry of Finance, Republic of Indonesia
Dumoli Pardede	Division Head of Kabag Pemeriksaan,	Pension Fund Bureau, Bapepam-LK

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Marie Pangestu	Minister	Ministry of Trade
Ir. Ardiansyah Parman	Secretary General	Ministry of Trade
Budhi Santoso	Secretary	DG of Foreign Trade - Ministry of Trade
Sondang Anggraini	Director for Bilateral Cooperation I	DG for International Trade Cooperation - Ministry of Trade
Dr. Deddy Saleh	Head	COFTRA (Commodity Futures Trading Regulatory Agency)
Rahayubudi	Director for Personnel and Organisation	Ministry of Trade
Arief Adang, PhD	Director	Ministry of Trade, Republic of Indonesia
Lloyd Kenward	Principal Economist, TAMF	Deacons
Dr Yunus Hussein	Head	Indonesian Financial Transaction Reports and Analysis Centre (PPATK)
Try Priyo	Director of Inter-Agency Cooperation	Indonesian Financial Transaction Reports and Analysis Centre (PPATK)
Ibu Nadimah	Director of Human Resources Development	Indonesian Financial Transaction Reports and Analysis Centre (PPATK)
Djoko Kurnijanto	International Relation Officer	Indonesian Financial Transaction Reports and Analysis Centre (PPATK)
I Ketut Sudiharsa	Director of Law and Regulation	Indonesian Financial Transaction Reports and Analysis Centre (PPATK)
I Gde Yadna Kusuma	Director of Research and Analysis	Indonesian Financial Transaction Reports and Analysis Centre (PPATK)
Dra Sri Danti, MA	Deputy Minister for Gender Mainstreaming	Ministry for Women Empowerment
Dr. Sri Mulyani Indrawati	Minister	Ministry of Finance and A/c for Coordinating Ministry for Economic Affairs
Anggito Abimanyu	Head	Fiscal Policy Office
Prof. Dr. Mardiasmo, Ak., MBA	Director General	Directorate General for Fiscal Balance, Ministry of Finance
Boediono	Governor	Bank of Indonesia
Edy Setiadi	Deputy Director	Directorate of Human Resources, Bank of Indonesia
Dr. Dian Ediana Rae, SH. LLM	Deputy Director	International Directorate, Bank of Indonesia
Wijoyo Santoso	Head-Bureau of Economic Research	Directorate of Economic Research and Monetary Policy, Bank of Indonesia
Lasmaida S. Gultom	Senior Researcher for Banking Research and Regulation Bureau	Directorate of Banking Research and Regulation, Bank of Indonesia
Mulabasa Hutabarat	Chief of Pension Fund Bureau	Capital Market and Financial Institution Supervisory Agency, Ministry of Finance, Republic of Indonesia

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David Cavanough	International Economy Division	Treasury
Pam Mitchell	Branch Head	Australian Tax Office
Stewart Howard	Manager	Australian Tax Office
Geoff Hare	Officer, International Relations Branch	Australian Tax Office
Paul McNamara	A/g Branch Head	Finance
Margaret Makeham-Kirchner	Director for Pacific Support Branch	Finance
Paul Griffiths	Director for Indonesia Economic, Trade and Transnational Issues Section	DFAT
Jenny Plumstead	Program Manager	APSC
Penny Ngui	Director International	APSC
Octavius Tjiantoro	IT Adviser for PPATK	AUSTRAC
Richard Moore	DDG ASIA	AusAID
Cheryl Cutmore	Manager, International Relations	ASIC (Teleconference)
Marcus Chadwick	Senior Analyst	APRA (Teleconference)
Charles Litrell	International Relations	APRA (Teleconference)
Chris Gaskell	International Relations	APRA (Teleconference)
Ben Power	Director	AusAID Economic Thematic Group
Jacqueline Lees	Officer	AusAID Economic Thematic Group
Kate Nethercott	Director	AusAID Gender Thematic Group
Philippa Venning	A/c Director	Indonesia Policy and Analysis Unit - AusAID
Katie Smith	Officer	Indonesia Policy and Analysis Unit - AusAID
Hal Hill	Researcher	ANU Indonesia Specialists
Chris Manning	Head, Indonesia Project	ANU Indonesia Specialists

Annex 12 Increasing use of GoI systems

The Governments of Australia and Indonesia are committed to principles included in the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008).

The Accra Agenda for Action identifies “three major challenges to accelerate progress on aid effectiveness:

- Country ownership is key.
- Building more effective and inclusive partnerships.
- Achieving development results—and openly accounting for them—must be at the heart of all we do.

Under the first challenge, the Agenda for Action includes the following commitment:

“Developing countries will strengthen their capacity to lead and manage development

14. Without robust capacity—strong institutions, systems, and local expertise—developing countries cannot fully own and manage their development processes. We agreed in the Paris Declaration that capacity development is the responsibility of developing countries, with donors playing a supportive role, and that technical co-operation is one means among others to develop capacity. Together, developing countries and donors will take the following actions to strengthen capacity development:

- a) Developing countries will systematically identify areas where there is a need to strengthen the capacity to perform and deliver services at all levels—national, sub-national, sectoral, and thematic—and design strategies to address them. Donors will strengthen their own capacity and skills to be more responsive to developing countries’ needs.
- b) Donors’ support for capacity development will be demand-driven and designed to support country ownership. To this end, developing countries and donors will i) jointly select and manage technical co-operation, and ii) promote the provision of technical co-operation by local and regional resources, including through South-South co-operation.
- c) Developing countries and donors will work together at all levels to promote operational changes that make capacity development support more effective”.

AIPEG Facility response

The following is a summary of steps to be taken with AIPEG management to reflect the global shift in aid management approaches, and the commitment by the Governments of Australia and Indonesia to work towards increasing use of GoI systems in aid management. These steps will be subject to recommendations by the AB and willingness by GoI to commit the changes envisaged.

- Overall strategic advice for the AIPEG Facility will be provided by an Advisory Board comprising senior and highly experienced GoI and other Indonesian experts in economic governance and public sector management, as well as senior GoA representatives

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- Ongoing monitoring by the AB and the MST of GoI readiness and interest in increasing use of GoI systems
- Shift, commencing in Year Two, within those GoI agencies which are interested, to use of internal Committees for approval of activities to be funded by AIPEG Facility
- Shift, commencing in Year Two, from joint (AIPEG Facility and GoI) recruitment processes for Advisers, to GoI led recruitment processes (supported by AIPEG MST) and over the life of AIPEG Facility to GoI implemented recruitment processes
- Shift, commencing in Year Three, from AIPEG Facility managed procurement processes (e.g. for travel, training, equipment etc.) to use of GoI systems as GoI systems are strengthened
- Shift, at a time deemed appropriate within the AIP, to use of GoI monitoring systems for AIPEG-funded activities
- At the end of each two year period, a specific review by the FET will identify ways to promote and support a shift to the use of Indonesian systems in AIPEG Facility management.
- Application of lessons learned from other Australian and other donor experiences with the shift to use of GoI systems in aid management, subject to discussions with GoI partners in the AIPEG Facility (including “roadmap” – see below)

AusAID “roadmap”

At the time of the design of the AIPEG Facility, AusAID is developing a roadmap to increased use of Government systems in Indonesia. The outcomes of this process will inform AusAID's perspective on the scope and pace of the alignment of the AIPEG facility with these systems. A significant element affecting the extent to which changes will occur, will be negotiations with individual GoI partner agencies.

The scope of the project is to analyse four aspects of Indonesian Government systems and processes and consider options for the Australia Indonesia Partnership's engagement with each over the next five years. This needs to be considered in the light of a decentralised Indonesia with special consideration given to the application of these systems/processes in the health and education sectors, both at the national and local level.

The 4 focus areas and some of the specific issues for consideration are:

1. disbursement and funds flow: Regulations with respect to disbursement of development assistance and funds flow mechanisms to both the central and local levels of government;
2. audit: the potential role of the internal and external audit institutions to audit foreign development assistance and the reporting and follow up of the findings;
3. public procurement; and
4. monitoring & evaluation; the potential of joint performance and evaluation systems in light of Australia's requirements and the recent move towards stronger performance assessment in the aid program.

Other developments in the Australian aid program which relate to the use of GoI systems include:

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- work currently underway to develop a mechanism for inclusion of Australia's aid funds as a line item in the Indonesian budget and registration of projects through the 'blue book/green book' process
- proposed AusAID support for BAPPENAS to support the newly established monitoring and evaluation unit, the establishment of a joint performance framework and the establishment of a donor coordination unit
- previous assistance in the second quarter of 2007 to assist development of a new approach to monitoring the Indonesian Government's National Action Plan for Corruption Eradication
AusAID's Indonesia Strengthening Public Procurement (ISP3) activity which commenced in January 2008 and will work at the central level with BAPPENAS and once it is established, the new National Public Procurement Office
- discussions with the other development agencies, including the World Bank, on a harmonised agenda for the move towards use of government systems and the opportunities for joint analysis and coordination on systems strengthening.

Annex 13 Selection criteria for AIPEG activities

Eligible applicants

From Year One, the AIPEG Facility will continue to work within four Sub-facilities, within the Ministry of Trade and selected Directorates General of the Ministry of Finance. Within the Ministry of Finance, the AIPEG Facility will concentrate in the following areas:

- Bapepam LK – financial stability
 - Directorate General Tax
 - Directorate General Debt Management
- As proposals are developed, evidence of senior commitment to implementation will be sought by the MST

In Year Two, following research and negotiations, additional eligible Ministries will be added to this list.

Eligible activities

Activities proposed for AIPEG Facility funding support will:

- (a) directly support, and have a clearly articulated relevance to agreed objectives of the Facility, which may vary from year to year
- (b) support the policy objectives of the respective GoI agency
- (c) have a well-defined and measurable development purpose level objective (a statement about the expected change at the end of the activity) which will include some form of capacity development
- (d) have a number of well-defined and practical output level objectives (statements about what the activity will actually deliver within the life of the activity)
- (e) be deemed by the MST [or specialist appraisers if used] to be feasible in terms of the likelihood that they will deliver effective development outcomes based on quality processes and management
- (f) consider roles of women and men in decision-making and the differential impact of activities on men and women
- (g) reflect the Facility's progressive engagement approach where support will be provided on the basis of developing relationships and deeper understanding of local contexts, most feasible approaches, most effective partnerships and other environmental and development factors
- (h) be assessed as being highly likely to deliver sustainable benefits based on explicit reference to design and environmental factors contributing to sustainability
- (i) have a set of performance indicators against each output and the overall objective which will provide valid and reliable sources of information for monitoring

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- (j) present an analysis of risks to successful implementation and identify strategies to mitigate and manage risks as appropriate to the context
- (k) clearly demonstrate how capacity within Indonesian economic governance agencies will be developed
- (l) recognise and respond to the differential roles and responsibilities of men and women and describe the expected participation and benefits of men and women

Requests for activities will most likely fall into one of the categories below, the selection of which will depend on agency interests and capacity and decisions about the most appropriate method to achieve and sustain desired outcomes. Each partner agency, with support from Advisers and MST, will plan a mix of activities on a six-monthly or annual basis.

The following is a menu of types of activities which may be considered as appropriate, depending on assessment of the most appropriate methods to achieve the intended outcomes in the particular GoI agency context:

- provision of Advisers for short or long-term advisory, project management or coordination roles
- joint or independent research
- planning and scoping missions in new areas
- assessments of capacity within particular agencies as a basis for preparing capacity development plans
- development and support of professional working groups, networks, and other task-focused on-the-job learning methods
- support for strengthening internal professional development/staff learning systems and programs
- attendance at other short or long term formal or informal training programs
- train the trainer programs and follow-up mentoring
- establishment of communications protocols between various agencies
- study tours (these will be subject to particularly careful scrutiny to ensure they are the best capacity development approach in the circumstances)
- exchange programs, either domestic or international
- workshops, seminars and conferences
- scholarships (through linkage with other GoA scholarship schemes funded from outside the Facility budget)
- organisational twinning programs
- provision of infrastructure and equipment
- development of guidelines, manuals etc

Activities to be supported by the Facility are likely to be in the range of AUD20,000 to AUD500,000.

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It is suggested that study tours only be supported on the basis of pre-agreed learning objectives and defined outcomes and where there is a strong commitment to integration of learning into practice in the medium to long term. Where other Australian programs might better suit the delivery of particular activities (such as scholarships), the Facility will liaise and negotiate with relevant AusAID staff and other providers to identify the most appropriate processes.

Collaboration and coordination with GPF Advisers should be encouraged in planning and design and implementation where GPF and Facility activities are sought in the same Ministry or Directorate General.

Quality assurance systems will be developed and applied by the MST in a collaborative partnership context with participating GoI agencies. Where there are existing GoI standards for activity implementation, this should be used. Importantly, implementing agencies will be responsible for day to day compliance with these systems, with MST seen as a supporter for partner agencies to learn about and develop skills in quality project delivery, rather than the “police” in this context.