

AUSAID
GOVERNMENT PARTNERSHIPS FUND II
MID-TERM REVIEW
FINAL REPORT

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ABBREVIATIONS AND ACRONYMS

ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
AIPEG	Australia Indonesia Partnership for Economic Governance
AIPCS	Australia Indonesia Partnership Country Strategy
ANAO	Australian National Audit Office
APRA	Australian Prudential Regulation Authority
APSC	Australian Public Service Commission
ASIC	Australian Securities and Investment Commission
ATO	Australian Taxation Office
AusAID	Australian Agency for International Development
AUSTRAC	Australian Transaction Reports and Analysis Centre
BAPPENAS	Ministry of National Development Planning
BI	Bank Indonesia
BKF	Fiscal Policy Agency
BKN	State Personnel Board
BPK	National State Audit Board
BPS	Statistics Agency of Indonesia
CO	Commonwealth Ombudsman
EP	Evaluation Plan
CMEA	Coordinating Ministry for Economic Affairs
Dirjen Pajak	Indonesian Tax Office
DFAT	Department of Foreign Affairs and Trade
DOFD	Department of Finance and Deregulation
GOA	Government of Australia
GOI	Government of Indonesia
GPF	Government Partnerships Fund
IDC	Inter-departmental Committee
KEMENDAG	Ministry of Trade
KEMENDIKBUD	Ministry of Education and Culture
KEMENKEU	Ministry of Finance
KEMENPAN	Ministry of State Administration and Bureaucratic Reform
LAN	National Institute of Public Administration
M&E	Monitoring and Evaluation

MTR	Mid Term Review
OJK	Financial Services Authority (previously BLK)
ORI	Ombudsman of the Republic of Indonesia
PC	Productivity Commission
PM&C	Department of Prime Minister and Cabinet
PPATK	Financial Transaction Reports and Analysis Centre
ROU	Record of Understanding
SC	Steering Committee
SEMEFPA	Support for Enhanced Macroeconomic and Fiscal Policy Analysis
TA	Technical Assistance
TOR	Terms of Reference
VPO	Vice President's Office

Executive Summary

This is the Mid-term Review (MTR) Report of the Government Partnerships Fund II (GPF II). The GPF II MTR was conducted between July and October 2013.

The \$50 million GPF II facility, designed as an extension to an initial phase from mid-2005 to mid-2010, will operate from January 2011 until the end of 2015. GPF II is designed to strengthen government-to-government partnerships and policy dialogue between Australia and Indonesia, in the pursuit of economic and public sector development. It provides Indonesian and Australian economic and public sector agencies with access to a pool of funds, to form partnerships, establish the systems necessary to allocate those funds to priority reform activities and ensure their effectiveness. Currently there are 13 partnerships and the facility approach provides flexibility for the partners to pursue outcomes which meet their own needs.

The MTR addressed four key questions in relation to the 13 partnerships currently supported by GPF II: (i) What are the perceptions of key stakeholders on expected outcomes of the Facility?; (ii) How well has the program performed against the expected outcomes of the program?; (iii) How effective and efficient are the current design features of the GPF to achieve the expected partnership and development outcomes of the program?; (iv) What are stakeholder perceptions about synergies with AIPEG, and other AusAID and donor activities?

The MTR also details five case studies and provides synopses of the remaining eight partnerships. These case studies and synopses, which address the four key questions, are the main data resources resulting from the MTR, and as such provide considerable detail about each partnership. These documents were developed based on the MTR Team's desk study, a substantial number of partnership and other stakeholder interviews (both in Australia and in Indonesia and often across different partnership levels), and general observations.

The MTR's small team and limited time frame coupled with the need to address 13 Partnerships and prepare the associated case studies and synopses, limited the opportunities to analyse partnerships or issues in depth.

The review's main findings include:

The MTR found many indications that the GPF is successful: in terms of the broad objectives stated in its design document; the partnership outcomes; and each partnership's targeted reform outcomes. This assessment draws heavily on the information gathered from partner and stakeholder interviews with qualified support from partnership documentation, the two main forms of data collection and analysis. Because of time constraints, the MTR Team was unable to confirm this assessment of success from "third parties" or by more in-depth partnership analysis.

Partners provided many statements indicating success in terms of partnership outcomes. The partnerships are well regarded by senior GOI officials for the helpfulness of their Australian partners, and for the ability to discuss strategic management and policy issues with counterparts, as equals.

The agencies involved in the 13 partnerships highly value the relationships they have established and wish to maintain and grow them. Successful partner relationships are the foundation which enables partnerships to pursue mutually agreed development outcomes.

All current partnerships work to achieve development outcomes albeit in different ways and at different organisational levels. In terms of expected reform outcomes, the indications from this review are that all partnerships are performing at least satisfactorily and therefore justify the resources currently spent on them. However, evaluations in greater depth may provide more reliable indications.

The agencies involved in the partnerships want the GPF to continue, value the move to three year planning which enables longer-term outcomes to be pursued, and appreciate notification of the annual indicative funding allocation.

All GOI partners have confirmed a high level of involvement in the activity design process, that the activities chosen target their needs and that the partnerships have generally chosen modalities that suit their partnership aim and context.

Four partnerships operate solely on bi-directional visits; the deployment of Australian government officials as long-term resident advisers is a major part of five partnerships; and the remaining four partnerships enjoy some of the benefits of having resident advisers by virtue of support from AIPEG long term advisers. The report discusses the characteristics of the different modalities and approaches and offers an additional approach for consideration.

The assistance provided by the Australia Indonesia Partnership for Economic Governance (AIPEG) and the AusAID-funded World Bank assistance (SEMEFPA) is complementary to some GPF II partnerships. Generally, the work of GPF II, AIPEG and the other AusAID-funded activities is well coordinated, but the coordination could be improved. The MTR review found that the logistical and administrative support provided by AIPEG was largely very good.

The MTR Team found a need and desire for an extension to GPF II, namely GPF III. Some interest in broadening the scope of GPF III was also identified. In this regard the report discusses three principles for broadening: (i) additional partnerships should have expected outcomes which serve Indonesia's development; (ii) GPF III should be used only where enduring institutional relationships are wanted; and (iii) additional partnerships should mean additional funding.

AusAID's management of the facility is generally well regarded. Some partnerships have requested a mechanism (e.g. an annual conference) which will enable the partnerships to share and discuss lessons learned.

The review's main recommendations include:

A further phase – GPF III – should be envisaged, with AusAID making a sufficient commitment in principle for three-year planning to roll forward; and a joint planning team for GPF III and the next phase of AIPEG.

More proactive involvement of the Steering Committee, by meeting annually to review progress and discuss priorities for GPF *before* proposals for the following year are formed. Improved coordination between GPF team leaders and AIPEG advisers (where relevant) to provide better planning.

An improved self-reporting, secretariat monitoring, and case study approach be adopted. More consistent self-reporting is required with a shift in focus from inputs, activities and outputs to outcomes and outcome indicators; more regular monitoring visits by the Secretariat to build better partnership knowledge; applying case studies to document success and diagnose significant issues; and to improve M&E resourcing, especially in-country.

Adopting the three principles (stated above) when considering broadening the scope of GPF beyond economic governance and public sector reform, or of adding partnerships while maintaining its present scope.

Conclusion

The GPF II design document indicates that effectiveness will be achieved if Australian public service skills and experiences are: relevant to the Indonesian context and valued by Indonesian counterparts, applied effectively, and address the right reform priorities. The MTR found these characteristics across all the partnerships, so far as can be assessed from the evidence which the MTR Team gathered.

Introduction

This is the Report of the Mid-term Review (MTR) of the Government Partnerships Fund II (GPF II), which occurred during the period July – October 2013.

The MTR Report presents a brief background/overview of the GPF II; a summary of the methodology and limitations; a summary of the conclusions and recommendations; before presenting detailed findings and analyses. The report also provides a brief discussion about the future and scope of the GPF, and the Secretariat's management function.

The annexes to this report provide: a list of partnerships (Annex 1); a summary of findings, with recommendations and conclusions about each partnership (Annex 2); partnership case studies (Annex 3); partnership synopses (Annex 4); and a list of meetings (Annex 5).

This independent MTR was undertaken by three external consultants, namely Mr Graham Kingston, Dr John Eyers and Professor J.B. Kristiadi.

Background/Overview

The Government Partnerships Fund (GPF) is a whole-of-government program that facilitates and strengthens government-to-government partnerships and policy dialogue between Australia and Indonesia, in the pursuit of economic and public sector development. It is an initiative under the Australia Indonesia Partnership Country Strategy 2008-2013 - Pillar 1 Sustainable growth and economic management.

The first phase of the GPF commenced in mid 2005 and concluded in mid 2010. GPF Phase II, a five-year \$50 million initiative, was designed as an extension to the first phase, and commenced in January 2011. The GPF provides Indonesian and Australian economic and public sector agencies with access to a pool of funds, and establishes the systems necessary to allocate those funds to priority reform programs and ensure their effectiveness. As a Facility, the GPF provides flexibility for the agencies to pursue outcomes which meet their own needs. It is not as prescriptive as the Program modality.

As identified in the GPF Design Document, the goal of the GPF is:

Indonesian government agencies implementing effective economic and public sector management policies.

The GPF Monitoring & Evaluation Framework (MEF) further specifies that the major objective of GPF is:

The creation of long-term partnerships between Indonesian and Australian agencies which have advantages for both countries.'

There are currently 13 partnerships involving a range of activities to support economic and public sector reform in Indonesia (see Annex 1). According to the GPF Design Document, the effectiveness of the partnership program will be achieved if Australian public service skills and experiences are: relevant to the Indonesian context and valued by Indonesian counterparts, being effectively applied, and addressing the right reform priorities.

At the agency-to-agency level the program is intended to: give Government of Indonesian (GOI) agencies leadership in design and implementation of partnership and activities; give GOI agencies the ability to discuss reform challenges with their peers; enable GOI and Government of Australia (GOA) agencies to discuss issues of mutual concern; allow GOI agencies to make use of the program's comparative advantage of learning from the GOA agencies' experiences; provide GOI agencies with technical and practical skills to conduct their roles and duties; and provide GOI agencies with access to institutional knowledge rather than that of a single adviser or consultant.

The GPF operates in a decentralised mode, in which decisions about objectives to be pursued and forms of activity are decided in the partnerships of respective GOI and GOA agencies. The GPF is overseen by a Steering Committee consisting of senior Australian Government officials based in Jakarta and senior Indonesian representatives (including current and former GOI officials and

private sector representatives). The Steering Committee is chaired by the AusAID Indonesia Minister Counsellor and the Indonesian Coordinating Ministry for Economic Affairs (CMEA) Deputy for International Economic and Financial Cooperation. The AusAID Indonesia program acts as the GPF Secretariat in providing support to the GPF Steering Committee and management of matters which are the responsibility of AusAID rather than GOI and GOA agencies. The GPF Steering Committee decides annually on proposals for partnership activities in the following year. The GPF Core Group comprises representatives of central and international policy agencies of the Government of Australia, including the Department of Prime Minister and Cabinet (PM&C), the Treasury, the Department of Finance and Deregulation (DOFD), the Department of Foreign Affairs and Trade (DFAT), and AusAID. The AusAID Assistant Director General responsible for the aid programme in Indonesia chairs Core group meetings. The Core Group comments on GPF program proposals prior to their submission to the Steering Committee.

The AusAID Indonesia program administers two other major economic governance programs. The Australia Indonesia Partnership for Economic Governance (AIPEG) is a technical assistance and capacity building facility that operates in some of the same areas as the GPF and shares the same Jakarta-based governance board. AIPEG has sub-facilities in the sectors of tax administration, trade, public financial management, and financial sector stability; and a further sub-facility is being developed in environment/climate change policy. AIPEG also provides administrative and logistics support to GPF, especially in relation to travel and training support.

The other related AusAID program is the Support for Enhanced Macroeconomic and Fiscal Policy Analysis (SEMEFPA) program which is implemented by the World Bank, and provides technical assistance and capacity building support to the Fiscal Policy Agency of the Ministry of Finance (referred to in this report as BKF).

The AusAID Indonesia program is implementing a program focused on Bureaucratic Reform, which shares similar areas and focuses with some GPF agencies working on public sector reform issues.

AusAID also has a Climate Change program which shares a policy area with the Treasury-BKF partnership, as well as with AIPEG.

Summary of Methodology and Limitations

The MTR team adopted two key methods to conduct the GPF MTR: first, the team undertook a comprehensive review and analysis of the relevant GPF documents (e.g. key partnership records of understanding, progress reports, proposals, monitoring and evaluation plans and reports, and design and strategic documents etc); secondly, a series of focused (semi-structured) interviews was undertaken with GPF stakeholders (AusAID, partner agencies in Australia and Indonesia, other programs such as Australia Indonesia Partnership for Economic Governance and the World Bank) both in-Australia and Indonesia.

The four key questions articulated in the MTR TOR drove the document review and analysis, and the focused (semi-structured) interviews. These questions were:

1. *What are the perceptions of key stakeholders on expected outcomes of the Facility?* Specifically in relation to partnership and development outcomes.
2. *How well has the program performed against the expected outcomes of the program?* Specifically: (i) adequacy of progress; (ii) facilitating and hindering factors; (iii) implications of these factors; (iv) appropriate management responses for these facilitating and hindering factors.
3. *How effective and efficient are the current design features of the GPF to achieve the expected partnership and development outcomes of the program?* Specifically: (a) the governance and oversight of the facility; (b) the selection process; (c) activity design process; and (d) common modalities and approaches employed.

4. *What are the stakeholder perceptions about synergies with AIPEG, and other AusAID and donor activities?* Specifically: What partnership or development outcomes are shared between GPF and AIPEG? How well integrated are GPF and AIPEG in shared areas? Can this be improved? How well integrated are GPF and AIPEG in terms of their design features? For case studies: how well is the GPF partnership coordinated with the work of other AusAID programs and that of other donors?

There were two key limitations: Firstly, the MTR was required to assess 13 partnerships in a limited time. It was possible to interview nearly all the main stakeholders in each partnership and in the overall GPF, but it was not possible to interview more than a few others for the sake of obtaining additional information or third-party perspectives. Secondly, the documentary material about outputs and outcomes of partnership activities was limited essentially to the Program Annual Reports (PARs) prepared by the GOA partners, and a Case Study report in 2012 on the AUSTRAC-PPATK partnership. There was almost no additional material about outputs and outcomes from GOI agencies or other sources.

The effects of these limitations, in relation to the four key questions just listed, can be summarised as follows.

1. The MTR team was able to confirm directly from GOI stakeholders that they shared the expectations of outcomes described in the ROUs and PARs prepared by their GOA partners. The team was also able to clarify how stakeholders relate the expected partnership and reform outcomes to each other, noting some differences among the partnerships which are reflected in individual Case Studies and Synopses accompanying this report.
2. Because the MTR team interviewed all the main GOI stakeholders, it was able generally to confirm the documentary reports of activity outputs and outcomes (if provided), noting some useful explanations and details added by GOI stakeholders. The team also noted various aspects of the internal or external situation of some GOI agencies which bear on the larger effects or sustainability of activity outputs; these are noted in the relevant Case Studies and Synopses annexed to this report. In general, the limitations of the MTR team's resources meant that while these issues could be noted, firm conclusions could not be drawn about them.
3. The MTR team gathered enough evidence from interviewing stakeholders to provide reassurance about aspects which during GPF I and in the design of GPF II had been objects of most concern – whether there is enough GOI ownership, and whether the activities and modalities chosen suit the circumstances of each partnership. On other aspects of design features, such as possible alternative governance arrangements or activity approaches, while the team had time to explore these with stakeholders, much of the evidence gathered is in the nature of impressions and conjectures about which judgements can differ.
4. The MTR team was able to establish the main outline of coordination arrangements and experience, and to note areas where coordination has been more or less effective, which are noted in this report below and in the annexed Case Studies and Synopses. However, the limitations on the team's time with AIPEG advisers, with managers and advisers in related AusAID programs and with third parties meant that the team could not get far in identifying potential synergies or ways of exploiting them.

Summary of Conclusions

Note: The conclusions summarised here are discussed further in the related sections of the report, and supported in the annexed summary of findings, case studies and synopses.

The MTR Team reached these main conclusions:

- The review found many indications of GPF success in terms of the broad objectives stated in its Design Document and quoted above. This was particularly evident in relation to expected partnership outcomes. GPF is well regarded by senior GOI officials for the helpfulness of

their Australian partners, and for the ability to discuss strategic management and policy issues with counterparts, as equals. Several told us that their GPF-assisted partnership is unique in its closeness and usefulness. GPF builds relationships between the GOI and the GOA. It is a unique approach for GOI agencies, that is, forming partnerships with government agencies from another country.

- No partnership exists solely to pursue a partnership outcome, although all of the partners highly value their relationships and strive to build and maintain them. They view strong relationships as the essential basis for their pursuit of development outcomes.
- All partnerships work to achieve outcomes which contribute to Indonesia's development, albeit in different ways and at different organisational levels.
- In terms of expected reform outcomes, GPF II appears to be generally successful as measured by improvements in capacity and performance of the GOI partner agencies in areas where they have support from GOA agencies. However, this review does not provide a basis for a general conclusion about how far this has translated into better overall performance of the GOI partner agencies, or more effective contributions by them to Indonesia's development.
- While some partnerships are making more progress than others in terms of their expected reform outcomes, all are performing at least satisfactorily and justify the resources currently spent on them. This overall conclusion is based on individual assessments of each partnership which are explained in the annexed Case Studies and Synopses.
- For GOI agencies which must respond to events, political changes, and new priorities at short notice, the flexibility in activity levels and forms which is built into GPF is valuable, although within each year it is limited by funding ceilings.
- Several partnerships have been reshaped because of changes within GOI, with some reduction in activities or demonstrable results from activities: the cases are noted below in the section on Progress of Outcomes, and the circumstances described in the relevant Case Studies and Synopses. But these partnerships have the potential to develop fruitfully as needs are identified on the Indonesian side.
- Greater attention to self-reporting, monitoring and evaluation is needed in some partnerships, in order to focus better on outcomes and outcome indicators.
- Activity selection is a joint GOI and GOA partner process with GOI needs at the centre. The evidence for this is summarised below in the section on Selection, and described in the annexed Case Studies and Synopses.
- Generally, partnerships adopt a mix of activities which is appropriate to support their partnership and development activities. The evidence for this is summarised below in the section on Modalities and Approaches, and described in the annexed Case Studies and Synopses.
- It is probable that the partnerships are of mutual benefit, contributing to management thinking and professional development in GOA agencies as well as GOI agencies. This matter was not surveyed in detail, but in a number of cases benefits were cited by officials of GOA agencies.
- Overall, AusAID's management and administration of GPF are well regarded.

A summary of findings in respect of the MTR's key questions, drawn from the case studies and synopses, is shown at Annex 2.

Summary of Recommendations

The MTR Team makes the following recommendations, which are set out more fully in subsequent sections of this report:

1. A further phase – GPF III – should be envisaged, with AusAID making a sufficient commitment in principle for three-year planning to roll forward.
2. That an improved self-reporting, secretariat monitoring, and case study approach is adopted within GPF, comprising:
 - a. a consistent and more outcomes focused self-reporting system “institutionalised” within GPF
 - b. quarterly monitoring visits to each partnership by the GPF Secretariat
 - c. a more proactive case study approach (not just progressing through an arbitrary list) which investigates challenging partnership contexts and documents partnership success
 - d. improved resourcing such as (i) in-Indonesia time for the Principal M&E Specialist to lead M&E; (ii) a local M&E Specialist attached to the GPF Secretariat to help institutionalise the self-reporting and monitoring system, and participate in case studies; and (iii) a specialist (matching the Partnership areas) assigned to each case study.
3. For the sake of more proactive involvement of the Steering Committee, it should meet annually to review progress and discuss priorities for GPF *before* proposals for the following year are formed in October-November each year.
4. AusAID should encourage the GPF team leaders and AIPEG advisers in areas of common operation to consult each other and form more coordinated plans.
5. There should be a joint planning team for GPF III and the next phase of AIPEG.
6. That annual GPF workshops/seminars are conducted in Australia and in Indonesia for the partner representatives to compare approaches and share lessons learned.
7. Two types of cost economy should be pursued – cost-sharing by GOI agencies, and funding a “maintenance stream” of visits from GOA and GOI agencies’ own budgets.
8. Questions of broadening the scope of GPF beyond economic governance and public sector reform, or of adding partnerships while maintaining its present scope, should be addressed by applying three principles – serving Indonesia’s development, forming enduring institutional links, and additional funding.

Detailed Findings and Analyses

Perceptions of Outcomes

Partnership

None of the current partnerships is focussed solely on partnership outcomes. However all the partner agencies value their partnerships highly and wish to maintain or deepen their relationships. The common approach to this is annual high level talks between partners. These talks are generally held in either Australia or Indonesia. Partners agree that senior level involvement and support is crucial to successful partnerships.

Partners view an established relationship as fundamental for, or as an enabler to, pursuing development outcomes. Partners agree that relationships are established with the goal of achieving development outcomes for the GOI partner.

Partnership as an outcome in itself could be removed from GPF, however the importance of establishing partnerships or relationships for achieving development outcomes should not be underestimated. All GOA and GOI partners stressed the importance of building and maintaining partnerships or relationships and how much they valued them.

Some of the partners valued the partnership as a valuable resource to support government to government talks should a bilateral issue arise in their area or an international issue of common concern, arise in their area. The MTR team was told that relationships built through GPF have helped to foster understanding of each other’s positions in meetings of G20 officials, trade

negotiators, central bank governors and financial regulators, and have contributed to constructive meetings between finance ministers.

Conclusion: No partnership exists solely to pursue a partnership outcome, although all of the partners highly value their relationships and strive to build and maintain them. They view strong relationships as the essential basis for their pursuit of development outcomes.

Development

All of the current GPF partnerships contribute to development outcomes, although in different ways and at different organisational levels. Most partnerships have identified GOI national priorities or international standards as goals for their development initiatives. Some are high profile contributors, while others make indirect but valuable contributions. In other words, there is a “line of sight” from each partnership to expected outcomes contributing to Indonesia’s development. The following summarises our understanding of these expected development outcomes from what interviewees told us and from program reporting.

- With ABS support, BPS is making its statistics conform to international standard SNA 2008, using more reliable data, developing producer price indexes, and improving accessibility – thereby providing a better information base for consideration of economic policy.
- With support from both APRA and ASIC, OJK is refining its risk-based systems of surveillance of financial markets and supervision of financial institutions; use of these systems improves the direction of OJK resources to its most important regulatory functions, and thereby contributes to greater stability and efficiency in Indonesia’s financial system. Parallel support by APRA to BI’s banking supervision areas is improving risk-based supervision systems which will be transferred to OJK.
- With DOFD support, MoF and BAPPENAS are implementing a system of medium-term, performance-based budgeting – the key to identifying and expanding “fiscal space” for allocating public resources to national priorities. At the same time, with DOFD support MoF is implementing accrual accounting in government financial reporting, which enables more effective management of assets and the national budget.
- With Treasury support, BKF is building its capacity to analyse and advise in areas of economic policy which are among GoI’s highest priorities, including improvement of the revenue base, investment in infrastructure, and energy pricing.
- With ANAO support, BPK is improving financial audit methodology and building capacity for performance auditing – thereby contributing to compliance with anti-money-laundering laws, and to anti-corruption and efficiency programs in the public sector.
- With DFAT support, the Ministry of Trade is building its capacity for effective diplomacy in the WTO and other multilateral bodies, in support of measures which would enhance Indonesia’s trade and investment.
- With AUSTRAC support, PPATK is improving its capacity to implement Indonesia’s undertakings to prevent money-laundering and counter the financing of terrorism; PPATK’s increased effectiveness in this role helps to reduce the pervasive obstacles to development represented by corruption and terrorism.
- With APSC support, MenPAN and the VPO are piloting or designing methods of capability review, agency reorganization, performance measurement and corruption eradication, which they hope to apply broadly to improve delivery of Indonesia’s public-sector services.
- With ATO support, DG Tax in MoF is making efforts to improve voluntary compliance, make tax audits more effective, and counter internal corruption – all of which contribute to the general revenue of GOI and hence its ability to fund programs of poverty alleviation.

- ORI, with support from the CO and NSW Ombudsman, is building the capacity of its staff in Ombudsman principles, complaint handling and media relationships, with the aim of improving GOI agencies' responsiveness to public complaints and ultimately their performance standards.
- With RBA support, BI is developing programs of research related to the formation of monetary policy, and improving other aspects of its central banking functions; these contribute to minimizing shocks and maximizing efficiency in the main, formal part of Indonesia's financial system.

Conclusion: All partnerships work to achieve outcomes which contribute to Indonesia's development, albeit in different ways and at different organisational levels.

Progress of Outcomes

Overall, good progress has been made during the GPF II period to date (January 2011 to mid-2013) towards achieving both partnership and development outcomes, as set down in annual activity proposals agreed between GOI and GOA partners. A summary of these outcomes is below. It is drawn from the Case Studies and Synopses in the Annexes of this report.

- *ABS – BPS:* BPS has computerized its integrated services, placed its Advanced Release Calendar online, and updated its website; all as a result of working collaboratively with ABS; *Price Index Measurements:* capacity building to understand environment, develop processes and procedures to expand; and temper ambitious goals; data set to be published in October 2013; *Integrated Business Register:* BPS has established a team, after much discussion, to integrate the nine separate registers. The plan is to establish a model in 2013; conduct a pilot study in 2014; and to implement in 2015. This is important step because BPS will conduct an Economic Census in 2016; *National Accounts:* The BPS overall goal is to implement the System of National Accounts (SNA) 2008 standard by 2014. This will include compilation of Supply Use Tables and the full sequence of accounts. The results will be used as basis to change the GDP base year from 2000 to 2010.
- *APRA – BI:* With APRA support, BI is implementing Basel standards, and has developed and applied risk-based systems for supervision of banks and financial conglomerates.
- *APRA – OJK:* With APRA support, Bapapam-LK and OJK have developed and applied risk-based systems for supervision of pension funds, insurance companies and finance companies, and more recently, of financial conglomerates.
- *DOFD – MOF:* MOF and Bappenas have implemented the major elements of MTEF and Performance-Based Budgeting, with contributions from DOFD to both design and implementation of these reforms. The partnership with DOFD has also helped MOF and Bappenas to improve budget estimates, budget analysis, budget decision-making, and public reporting of the budget. MOF is on track to implement government financial reporting on an accrual basis, with DOFD having helped with governance structure, accounting standards, implementation strategy and training programs.
- *Treasury – BKF:* With Treasury support, BKF has improved its capacity for analysis and policy advice in the areas of international engagement on macroeconomic issues, taxation policy especially in respect of mining, investment in infrastructure, environmental protection and financial sector development.
- *ANAO – BPK:* Clear progress has been made in the financial reporting at the central level. Most recent results show that for 85 central agencies 70 percent received an unqualified assessment. The previous result was 30%. Challenges remain at the local level where the unqualified assessment has risen from 5 to 15 percent.

- *DFAT – MOT*: This partnership has been established for the specific purpose of assisting MOT to prepare to host the 9th WTO Ministerial Conference. The long term advisers are confident that a successful conference will be organized.
- *AUSTRAC – PPATK*: The key achievements to date include the successful reorganisation of PPATK; implementation of regulations for the Designated Non-Financial Businesses and Professions (DNFBPs) and the development of a risk ranking IT tool to manage regulatory activities; and drafting of a law for implementation by January 2014 to require reporting of all international financial transfer instructions (IFTIs) in Indonesia to PPATK.
- *APSC – VPO, KemenPAN and BKN*: Pilot Capability Review is progressing as planned with two of three phases completed. Third phase will be completed in 2013; Civil Service Law has been developed and submitted to parliament but is being delayed by concerns in the Parliament and parts of the civil service.
- *ASIC – Bapepam-LK/OJK*: ASIC has supported first Bapepam-LK and then OJK in improving the systems audit inspection of financial traders, and of real-time financial market surveillance.
- *ATO – DG Tax*: ATO has supported DG Tax in improving audit skills, in developing senior managers' appreciation of strategic planning, incident management, legislative process and compliance risk management; in establishing a call centre, and in improving use of social media.
- *CO – ORI*: Clearly stated outcomes are difficult to identify at this time. The ORI is undergoing substantial and rapid organisational restructure and expansion to the regions. The focus at the moment is on capacity building of inexperienced staff appointed to the many new positions. CO has contributed substantially to management practices and staff training, but it is difficult to assess how the new knowledge, skills and attributes are being applied in the workplace.
- *RBA – BI*: RBA has contributed to BI's forecasting model, its implementation of continuous internal auditing, and preparation of a manual on industry liaison for BI regional offices. BI and RBA have exchanged ideas on real-time gross settlement systems, how corporate financing affects monetary conditions, the insurance industry's relation to financial stability, management of foreign exchange holdings, and the possibility of a hedging market. BI and RBA have developed closer cooperation both bilaterally and in international meetings.

Five general comments should be added:

First, the most discrete results, and those achieved in the near term, may not be the most important results. The latter may take the form of ideas learnt from observation of the GOA agency or inter-agency relations in Australia which come to be applied in the GOI context only after some years, perhaps in an altered form and with no direct attribution to GPF assistance.

This is likely in the case of regulation review, and in several areas of public sector reform, where GOI officials indicated that Australian practice is a useful model but applications in Indonesia are likely to be developed gradually and considerably modified. Another indication of important but indistinct results was provided by the way ORI officials described what struck them most in their visits to CO - not only the work methods they were studying, but the motivation, teamwork and ethos of service to the public which they wished to emulate.

Secondly, some partnerships have recently had to be reshaped – those of APRA and ASIC with the new OJK, and those of APSC related to public sector reform. To a degree this is true also of the ATO - DG Tax partnership. But the GOA agencies in these partnerships are, correctly in our view, ready to step up their activities as clearly identified needs reappear on the Indonesian side. We agree with the partners on both sides who believe that achieving their objectives requires patience, flexibility and responsiveness to opportunities.

Thirdly, we have learnt during this review about a range of hazards or barriers - some to do with organisational issues in the GOI partner agencies, and others to do with assistance needed from

other GOI agencies or possible obstruction by them - which affect the prospects that the work done in the partnerships will deliver its full potential contribution to economic governance or public sector reform in Indonesia. One example is a question about how well the IT system in BPS is being integrated to support the compilation and dissemination of statistics. Another example is a question about how well the current capability review in the GOI education ministry will be recognised by heads of other ministries as having positive advantages for them to copy. A third example is that most GOI agencies cannot make decisions related to staffing, without the approval of Kemenpan, which can delay initiatives. Broader issues of this kind should be addressed when progress in the partnerships is evaluated fully, and in strategic reviews by the Steering Committee. Fourthly, the periodic reports of the different partnerships are uneven in how well they focus on expected outcomes and progress made, or refer to organisational or contextual obstacles to the partnership assistance having its full effect. Some of the Case Studies and Synopses accompanying this report contain references to more and less informative reporting in their sections addressing ToR Question 4.2 about results. This points to needs in many of the partnerships for increased attention to self-reporting and monitoring, and in some of them for selective following up through evaluations which include assessing the agency or GOI context (see the section below on self-reporting, monitoring, and evaluation).

Finally, we have not formed a sufficient basis for comparing the GPF partnerships in terms of “development value for money”. No doubt more progress could be made on this if more time were spent on it. Although there would remain the difficulties inherent in comparing results of such different kinds, with so many varying factors bearing on how they contribute or might contribute to economic governance or public sector reform in Indonesia. Given the limitations of the evidence and analysis in this review, we can make with confidence just two observations about “development value for money”: first, that none of the partnerships involves any evident waste of resources, and second, that, since the amounts of resources being used in the partnerships are not great, we are satisfied that as contributions to Indonesia’s development they are worth continuing to fund – subject to the qualifications implied in our recommendations and our comments on the scope of GPF.

Conclusion: While some partnerships are making more progress than others, all are performing at least satisfactorily and justify the resources currently spent on them. This overall conclusion is based on individual assessments of each partnership which are explained in the annexed Case Studies and Synopses.

Partnership Activity Design

Management and Oversight

General

- *Overall, AusAID’s management and administration of GPF are well regarded:*

Some GoA and GoI agencies would welcome more formal arrangements to share lessons learned and compare approaches. For example, an annual partnerships’ meeting where GPF updates and papers dealing with specialist areas or initiatives were presented, supported by break-out discussions groups, would be welcomed. These sessions could be followed by lunch and informal discussions amongst partnership members. This would occur in Australia as well as Indonesia. Such an initiative would be arranged and led by the GPF Secretariat.

The move to multi-year program planning is highly valued. This approach instils confidence to target longer term development outcomes. In addition, the move to announce an annual indicative spending envelope is also welcomed.

Generally the AusAID reporting requirements are considered acceptable by the partnerships.

Conclusion: Overall, AusAID’s management and administration of GPF are well regarded.

Monitoring and Evaluation (Self-reporting, Secretariat Monitoring, and Case Studies)

Monitoring and Evaluation (Self-reporting, Secretariat Monitoring and Case Studies) are very important, not only for measuring partnership progress, but for facility improvement, sharing lessons learned, promoting achievements, and instilling confidence in the GPF.

- *Self-reporting*

Self-reporting needs to be consistent across partnerships and focused more on outcomes and underpinned by a simple results chain (model). At the moment the quality of partnership reports is too uneven: terminology (e.g. the difference between activities and outcomes) is misunderstood and therefore used inconsistently, reports vary considerably in length, and some focus only on inputs, activities and outputs. At times it is difficult to align these inputs, activities and outputs with the intended outcome(s), or to identify what outcomes have been achieved.

In trying to conduct a simple exercise of comparing in-country training programs by various partnerships (e.g. numbers trained, costs per person) it was found that some partnership proposals and reports identified the number of people trained and some didn't. In the past, AusAID internal reporting has requested the number of people "touched" by its programs. This would be difficult based on GPF's current reporting. In addition the stated costs comprised different elements without breakdowns. This simple example points to the inconsistency in reporting and the difficulty in making any analysis.

Use of a results chain model will need to acknowledge where the partnership includes policy advising, adapting to changes in GOI priorities, or grasping new opportunities. In partnerships with these characteristics, the outcomes to which efforts are directed can be clearly stated, but flexibility as to activities and timetables will have to be accommodated. For example, the civil service laws may be amended before they are passed, or GOI initiatives in APEC or the WTO may lead to follow up work in regional bodies.

Irrespective of the approach chosen it needs to be "institutionalized". That is, everyone needs to understand it. Responsibility for self-reporting rests with the partners, especially the Australian partner who prepares and presents the reports. Nevertheless, both partners (especially those preparing the reports) need to understand the reporting requirements, the underlying approach, and the elements of the results chain. This requirement to understand extends to the GPF Secretariat who use the reports to monitor the partnerships and the GPF overall, and prepare higher level reports (e.g. Quality at Implementation) within AusAID.

- *Monitoring*

Monitoring of the overall GPF Facility is the responsibility of the GPF Secretariat. This means that the GPF Secretariat should have a clear understanding of what is occurring in each partnership across the annual cycle. This understanding can be achieved in two ways: first, by reading and understanding the individual partnership proposals and reports; and secondly, by meeting regularly (quarterly) with each of the GOA and GOI partners to discuss partnership activities. These activities will reinforce each other.

This could be a shared responsibility within the GPF secretariat that improves relationships, mutual understanding and trust. These actions will build a better knowledge base that will inform GPF's strategic direction in a variety of ways: for example, gathering and using information which GPF partners acquire from their work about GOI priorities and needs; getting early warning of obstacles to effectiveness, so that attention can be given to possible responses; and developing a sense of where the biggest contributions are being made, how this is being done, and how such successful contributions could be reinforced.

- *Evaluation*

A key evaluation tool used within the GPF, which the MTR team supports, is the case study. The MTR team understands that a case study is planned for each partnership. However, it could be

used more proactively as a constructive approach to investigate challenging partnership contexts and document partnership success. To the extent case studies do this, they will contribute to strategic direction and prioritization in use of resources.

For example, it could be of value to assess possible limitations on the effectiveness of work done in the partnerships through organizational (including IT) weaknesses of the GOI agencies involved, or through contexts of weak coordination among relevant GOI agencies. Limitations of one or other of these kinds may apply in BPS, DG Tax and ORI, and in the implementation of accrual accounting in government financial reports.

- *Partner M&E Resources*

Leveraging partner M&E systems for improved self-reporting, and monitoring and evaluation will become increasingly important in the future.

The MTR team was informed of a number of GOI partners which have various ways of measuring their overall progress or progress in projects to which GPF contributes: BKF within MOF reviewing its projects quarterly; a BPS system of internal reporting; an ORI performance measurement system (though we were told it needs improving); OJK and the BI bank supervision area reporting on study visits to APRA and ASIC; DG Treasury in MOF monitoring the implementation of accrual-based government accounting; and BPK using a KPI of numbers of government agencies getting unqualified audit reports, undertaking performance audits and a quality assurance project, and preparing a special report on assistance it has received from ANAO. The ABS is also employing an M&E specialist to support its international activities.

- *Resourcing*

The Principal M&E Specialist, with support from a local M&E specialist, could provide the staff development required within the partnerships and GPF Secretariat to meet the approaches described above. This will mean increased in-country inputs for the Principal M&E Specialist across the cycle at the preparation points for proposals, progress reports and annual reports. The local specialist could be attached to the GPF Secretariat.

Finally, the efficacy of the case studies would be improved by including specialists in the subject areas of the partnerships involved, in addition to the Principal M&E specialist and any local M&E specialist.

Conclusion: Greater attention to self-reporting, monitoring and evaluation is needed in some partnerships, in order to focus better on outcomes and outcome indicators.

Recommendation: That an improved self-reporting, secretariat monitoring, and case study approach is adopted within GPF, comprising:

- a. a consistent and more outcomes focused self-reporting system “institutionalised” within GPF
- b. quarterly monitoring visits to each partnership by the GPF Secretariat
- c. a more proactive case study approach (not just progressing through an arbitrary list) which investigates challenging partnership contexts and document partnership success
- d. improved resourcing such as (i) in-Indonesia time for the Principal M&E Specialist to lead M&E; (ii) a local M&E Specialist attached to the GPF Secretariat to help institutionalise the self-reporting and monitoring system, and participate in case studies; and (iii) a specialist (matching the Partnership areas) assigned to each case study.

Cost Effectiveness

- *Some cost effectiveness issues should be explored.*

It was commented to the MTR team that deployees are a particularly expensive form of assistance, especially those at senior levels in the GoA public service; but there is no analysis available of their cost in relation to the benefits from their work, or even that part of their work in training or capacity building where comparisons with other forms of assistance seem possible. Similarly, we

were told that workshops in GoI agencies using GPF advisers or visitors may be more cost effective than training visits to GoA agencies (as distinct from secondments to Australian agencies, which have separate long-term purposes); but no analysis of that is available either.

A basis for analysis of cost-effectiveness could be prepared by gathering fuller information than is available at present, for example about:

- numbers of GOI officials involved in all training or capacity-building activities within GPF partnerships,
- feasibility of objective assessments of the effects of training, through testing the relevant knowledge of those undergoing training or relevant capabilities at work-unit level,
- analysis of the numbers of GOA agency trainers involved in workshops, for example distinguishing those needed as a minimum to cover the subject-matter and those needed as tutors for large numbers of trainees,
- comparisons across GOA agencies of costs for similar elements of training or capacity-building activities for GOI partner agencies, and
- comparisons where possible with costs of similar activities through AIPEG.

Any assessments in due course of cost-effectiveness should be done in a logical framework which places as much emphasis on identifying and assessing all the elements of effectiveness, including quality differences and long-term effects, as on measuring costs.

Recommendation: In those partnerships where selective following up to self-reporting is done as recommended in the recently revised M&E plan and this report, it should at least be explored whether reliable cost-effectiveness comparisons can be made.

Selection

The identification, design and selection of partnership activities is a joint exercise between GOI and GOA partners. All GOI partners assured the MTR Team that they were fully involved in, and satisfied with, the selection process.

The areas of proposed partnership activity are usually discussed and agreed in annual talks between senior representatives of each partner. This may be followed by further discussion or negotiation over which needs of the GOI partner can be met by the GOA partner in the light of available resources. It may also include consultation with AusAID on how the likely cost of the envisaged activities relates to an indicative budget figure. When the GOA and GOI partners settle a plan for the next year's activities, the GOA partner prepares it as a proposal for submission to the GPF Secretariat, Core Group and Steering Committee for approval.

Conclusion: Activity selection is a joint GOI and GOA partner process with GOI needs at the centre (See Annex 2 and individual Case Studies and Synopses).

Modalities and Approaches

Short-term Visits

- High-level bi-directional visits

All partnerships have high level bi-directional visits to set the strategic direction, review current partnership activities and plan future activities. All partnerships consider senior level support and involvement as crucial to success.

- Study Tours, conferences and short-term visits to Australia

Partnerships use these visits predominantly for participants to discuss newly proposed concepts, systems, processes or procedures and/or to see how they are implemented in Australia. These activities are based on the idea that "seeing is believing". The visits are in the order of one or two weeks. Generally considered essential as the forerunner to the implementation of new approaches.

- Short-term capacity building visits to Indonesia

In this instance GOA specialists travel to Indonesia to conduct training workshops. With this approach more GOI officials can be trained (as opposed to sending GOI officials to Australia). The specialists visit for weeks rather than months and may undertake more than one visit. Partnerships value this approach.

Four partnerships operate solely on short term bi-directional visits: APSC-MenPAN, ABS-BPS, CO-ORI and RBA-BI - that is, without long term resident advisers. We observe that a close and fruitful partnership between BPS and ABS is being sustained by frequent visiting and communication between pairs of units doing similar work, and by the agencies' leaders. It builds institutional relationships at the level of ongoing contact or where capacity building is occurring. For reasons specific to this partnership and each of the other three, in our view there is no present need to plan to add long term deployments.

Medium-term Visits (Internships/Fellowships)

Another element in several partnerships is (or has been) placing Indonesian officials on work assignments in the Australian partner agency, for varying periods. The benefits are two-fold: more thorough professional training for those involved than visits or courses can provide, with later application in their home agencies of what they learn; and development of an understanding of Australian context and a set of contacts, which in the subsequent careers of the "alumni" make it easy and fruitful to discuss matters of professional interest.

Several Australian agencies see the potential value of work placements for officials of GOI partners but are not currently able to offer them. There are various reasons for this which the Australian agencies are keen to overcome if possible.

The MTR Team sees value in more work placements being offered by Australian agencies. Typically work placements would take from 4-12 months.

Where it is possible for those who have returned from long-term deployments to be associated with the placements, this would be a way of obtaining additional benefit from their deployment.

Long-term Deployees

Deployment of Australian government officials as long-term resident advisers is a major part of five partnerships: DOFD – MOF, Bappenas; Treasury – BKF; ANAO – BPK; DFAT – MOT; and AUSTRAC – PPATK.

The GOA agencies involved see the deployment of long-term resident advisers as necessary in order to build mutual understanding and trust, and thereby provide as much as possible in terms of both policy or management advice and training. They also see the advisers' knowledge of the GOI agencies as a crucial contributor to the effectiveness of other activities, including senior-level visits.

Typically, long-term resident advisers are valuable for: (i) providing high level management and policy advice and assistance, often on a daily basis; (ii) assisting with significant bureaucratic reform; (iii) conducting capacity building in a professional area; (iv) building and maintaining a relationship; and (v) identifying, negotiating and coordinating a range of partnership activities.

Long-term deployees are a significant investment and a significant risk for partnerships because they are expensive and they manage the relationship on behalf of the GOA agency. Therefore much depends on the professional and personal skills of the deployee. For these reasons we were reassured to learn that effective monitoring and support mechanisms are in place – including regular reporting, regular communication via email, telephone and Skype, and regular "pastoral care" visits by managers from the home agency.

Four other partnerships – APRA-OJK, ASIC-OJK, APRA-BI and ATO-DGTax – derive some similar benefits from the lead advisers of AIPEG on the financial sector and on taxation. We accept the observations of the GoA agencies involved that they rely on these advisers' knowledge of GoI agencies and local context for the effectiveness of their partnership activities. We therefore

conclude that if AIPEG were not providing this, additional long term deployments would be needed (where they were feasible).

The MTR team's view is that deployments of resident advisers can be highly effective, provided those deployed are suitable in terms of knowledge, experience and personal skills.

An additional approach

Seemingly, one approach that hasn't been used by the partnerships to date involves the use of multiple shorter term assignments to provide institutional/technical advice and assistance and capacity building to drive reform.

For example, an adviser could be deployed for three two month assignments per year or four one month assignments to work within a department. A legitimate approach would be:

- *First visit (two months):* Situational analysis; development plan; capacity building activities; action plans; relationship building
- *Intervening period:* regular communication and advice via email, telephone and Skype; relationship building
- *Second visit (two months):* Review action plans; review development plan; capacity building activities; action plans; next GPF proposal; relationship building
- *Intervening period:* supervise GOI official attachment; regular communication and advice via email, telephone and Skype; relationship building
- *Third visit (two months):* Review action plans; review development plan for next year; capacity building activities; action plans; relationship building.

The same type of support could be provided with four one-month inputs from the GOA specialist.

This approach is a less costly, well-practised and accepted approach to development assistance. It has the potential to provide strong advice and assistance for substantial reform and capacity building while building relationships. The opportunity to mentor a counterpart(s) in-Australia, is a bonus.

However this approach may not be suitable for general application in GPF partnerships. As mentioned above the chosen approaches need to fit context and aim. It may be more challenging for the GOA agency to resource; and will not provide the benefits of a long term deployee (e.g. establishing as much mutual understanding as possible, providing advice and assistance on a daily basis, and being able to respond immediately to new priorities and opportunities).

Conclusion: Generally, partnerships adopt a mix of activities which is appropriate to support their partnership and development activities. The evidence for this is summarised below in the section on Modalities and Approaches, and described in the annexed Case Studies and Synopses.

Perceptions about Synergies with AIPEG, and other AusAID and donor activities

- *AIPEG activities complement GPF activities*
AIPEG activities complement GPF activities, and are generally more extensive, in several areas of economic governance – the financial sector, public financial management, tax administration, and trade, with green economic development possibly soon to be added. Some World Bank assistance, notably for BKF and OJK and in public financial management, is also complementary to GPF.
- *Coordination of GPF and relevant AIPEG activities could be improved*
In our view these different kinds of assistance are generally sufficiently coordinated, through management by the GoI agencies involved, meetings arranged by AIPEG and GPF advisers, and informal contacts. However, we consider that coordination could be improved in two respects.

Facilitating more proactive involvement of the GPF Steering Committee

First, the Steering Committee should meet to review progress and discuss priorities for GPF before proposals for the following year are formed in October-November each year.

In order to minimise the number of meetings of the Steering Committee (since it is also responsible for directing AIPEG), this could be substituted for the end-of-year meeting at which GPF proposals are approved, or the latter conducted on a no-objections basis.

To assist the Steering Committee in this strategic role, the Secretariat should prepare a brief on progress and priorities which includes inputs from GPF team leaders in Jakarta or (for those without resident advisers) GoA agencies, and from AIPEG advisers in areas of common operation (currently the four noted above). Adopting the recommended self-reporting approach would strengthen this brief.

Clearer GPF proposals (related to expected outcomes) aligned with AIPEG where appropriate

Secondly, we recommend that AusAID, as part of asking GoA agencies to include clear and sufficiently detailed identification of expected reform outcomes in their GPF proposals and work-plans, encourage the GPF team leaders and AIPEG advisers in areas of common operation to consult each other and form more coordinated plans – although these plans should always be within frameworks defined by the priorities and needs of GoI agencies.

If the recommended self-reporting approach (based on a results chain model) is adopted, in areas of common operation the targeted outcomes of GPF can be considered with the AIPEG Activity Design Documents to ensure activities complement each other.

- *Coordination of GPF and AIPEG with other AusAID-funded programs*

There are overlaps, and hence a need for coordination, between GPF and AIPEG activities and those managed by AusAID's programs in bureaucratic reform and in climate change. Within the time and resource limits of our review we could not examine the methods used for coordination, or the extent of synergies. However, we flag this as something for AusAID's attention.

Coordination of AusAID-funded World Bank assistance to BKF on macroeconomic conditions and policy with the Treasury-BKF partnership seems to have been done well by the relevant World Bank advisers and Treasury employees, with good results for BKF. Other World Bank assistance to GOI agencies, in the areas of financial sector development, tax policy and public financial management with GPF activities in the same areas seems to be well coordinated with GPF activities in the same area, thanks to the constructive approach adopted by World Bank advisers in these areas, GPF advisers in BKF and MOF, and relevant AIPEG advisers.

We heard from a number of GOI officials and GPF advisers that the award of AusAID-funded scholarships and fellowships is an important part of capacity building in the relevant GOI agencies. We were surprised, therefore, to hear that the Steering Committee has not been briefed on whether and how this AusAID-managed program is coordinated with GPF and AIPEG.

- *AIPEG, in its role as a logistics service provider, provides good administrative and logistic support*

According to most GoI and GoA agencies, AIPEG provides good administrative and logistic support. Reservations about the performance of its logistic service providers were noted by two GoA agencies.

- *International Professional Associations are generally leveraged to advance partnerships*

Opportunities for assisting GOI agencies in their participation in regional or international bodies have been recognized and pursued by their GoA partner agencies in several cases which we read or heard about, and which are noted in the relevant case studies and synopses in the Annexes. Examples are AUSTRAC-PPATK collaboration in training for Asia-Pacific

counterparts, RBA-BI collaboration in EMEAP, CO-ORI cooperation in IOI, and ATO-DG Tax coordination with OECD. This assistance is clearly appreciated by the GOI partners, and we commend the GOA partners for taking up these opportunities.

Recommendation: For the sake of more proactive involvement of the Steering Committee, it should meet annually to review progress and discuss priorities for GPF *before* proposals for the following year are formed in October-November each year.

Recommendation: AusAID should encourage the GPF team leaders and AIPEG advisers in areas of common operation to consult each other and form more coordinated plans.

Scope of GPF

We suggest that questions of broadening the scope of GPF beyond economic governance and public sector reform, or adding partnerships while maintaining its present scope, should be addressed by applying three principles – serving Indonesia’s development, forming enduring institutional links, and additional funding.

1. First, additional partnerships should have expected outcomes which serve Indonesia’s development. Otherwise, the present justification for funding GPF from Australian aid, rather than from elsewhere in the GOA budget, would be put in question.
2. Secondly, GPF should be used only where enduring institutional relationships are wanted. A broader GPF could include “seed funds” for developing institutional links between additional pairs of GOI and GOA agencies, where there is potential to attain both partnership and development outcomes. On the other hand, enduring partnerships are not the only way in which GOA agencies can make useful contributions to their Indonesian counterparts, and where such contributions do not require institutional partnerships, they should be managed and funded separately from GPF.
3. Thirdly, additional partnerships should mean additional funding. While overall constraint on AusAID funds will necessarily bear on any next phase of GPF, and cost economies should continue to be sought in GPF as in other programs, scaling down the funding of GPF partnerships as they “mature” or “graduate” should not be made a general rule. Scaling down resources may be appropriate when particular projects within partnerships are completed; but it may equally be that building on success or new opportunities to contribute to GOI reforms will justify increasing the resources of particular partnerships.

Recommendation: Questions of broadening the scope of GPF beyond economic governance and public sector reform, or of adding partnerships while maintaining its present scope, should be addressed by applying three principles – serving Indonesia’s development, forming enduring institutional links, and additional funding.

Other Aspects related to Scope

- In addition, we suggest overall caution about enlarging the range of GPF partnerships while coordination, prioritization and resource allocation are known to be difficult with the present range of partnerships.
- We understand there are arguments for maximizing use of GPF as an administrative platform: this could provide a way of standardizing terms of deployment and other administrative arrangements between AusAID and other GOA agencies, could offer to additional partners the benefit of the GPF governance arrangements, and could raise the profile within AusAID of GPF. However, we do not consider these factors to outweigh either of the first two principles outlined above. We note that AusAID has in GPF a program with a related purpose and some administration in common.
- We draw attention to two types of cost economy which might usefully be pursued. First, within the remaining period of GPF II, encouragement should continue for GOI agencies to pay some share of the financial cost of training activities (obtaining prior authority to do so

through their budgets), as well as making in-kind contributions to them: within reasonable bounds, this is desirable for the sake of ownership as well as economy. Secondly, in preparation for a third phase of GPF after 2015, an effort should be made to identify within each GPF partnership the stream of visits needed for maintaining relationships, as distinct from activities related to improving systems and building capacity in GOI agencies, with a view to considering whether in the GPF III period this “maintenance stream” should be funded from GOA and GOI agencies’ own budgets instead of through AusAID. Distinguishing maintenance from other aspects of partnerships would of course be difficult, but it might apply to periodic meetings of the most senior officials for comparing views on common issues, especially international ones. Consideration of this should take into account any contributions by agencies not reimbursed by AusAID, and any restrictions related to special sources of agencies’ funds such as an industry levy.

- We have been briefed on a number of near-term possibilities for adding or removing partnerships in the set of thirteen currently funded through GPF II. The handling of these questions is obviously complicated by there being scope for initiatives from Ministers, GoI agencies and GOA agencies, as well as from AusAID. We are not confident that through our necessarily limited set of meetings we have anything close to a full picture. Therefore we do not make recommendations, but merely observations, as follows.
 - The partnership between RBA and BI will remain valuable and important, particularly because of BI’s role and the parallels in RBA’s experience. But because these institutions are independent of the budgeting for GOI and GOA agencies, it may be reasonable to expect them to fund the partnership from their own resources.
 - The DFAT-MOT partnership has been designed to be limited to 2013, if a need arises for continuing assistance of this kind, DFAT and AusAID should discuss with MOT whether a continuing partnership is consistent with the two ministries’ representative roles, or whether assistance might better be provided through AIPEG.
 - The other partnerships being funded in GPF II seem likely to remain well worth funding in a next phase of GPF.
 - The possibility of a partnership between the GoA Information Commissioner and the GoI counterpart or counterparts seems to have potential for contributing to public sector reform in Indonesia, and should be further explored.
 - We are told there is a reason, deriving from views in BAPPENAS, to plan to bring the partnership between the Australian Electoral Commission and the Indonesian counterpart KPU into GPF, from AusAID’s democratic governance program which will fund it until mid-2015. This seems desirable only if another way cannot be found to address this concern in BAPPENAS.
 - The managers of the AusAID climate change program believe that a valuable contribution could be made to the work of BAPPENAS and DNPI on climate change policies by drawing on expertise in the GOA agency responsible for climate change policy (DIICCS RTE), through deployment of a suitable resident adviser. If there are funds available in 2014 and 2015, they could be used for activities which explore this.
 - There are questions about what would be appropriate and effective ways in which contributions could be made to Indonesia by the Australian agencies PM&C, AUSTRADE, ACCC and PC. Until these questions are examined further, it is not clear that enduring partnerships funded by GPF are the best way forward.
 - Although Indonesian members of the Steering Committee suggested to us that a partnership between agriculture ministries might prove helpful, we cannot assess this.

Recommendation: Two types of cost economy should be pursued, on different timetables – cost-sharing by GOI agencies, and funding a “maintenance stream” of visits from GOA and GOI agencies’ own budgets.

GPF in the Future

- We recommend that a third phase of GPF should be envisaged, either with broadly the same scope as at present or, if it is consistent with AusAID’s Indonesia country strategy and funding constraints, with broader scope.
- While we assume AusAID could make no definite funding commitment at this stage, we suggest it provide a sufficient commitment in principle to GPF III to allow three-year program planning to roll forward, so as to include 2016 this year and 2017 in a year’s time.
- The scoping studies being done currently for AIPEG should be used as part of the basis for considering also the nature of GPF III activities in the relevant economic partnerships (Treasury-BKF, APRA-OJK, ASIC-OJK and those of APSC). In our view, there should be a joint planning team for GPF III and the next phase of AIPEG.

Recommendation: A further phase – GPF III – should be envisaged, with AusAID making a sufficient commitment in principle for three-year planning to roll forward.

Recommendation: There should be a joint planning team for GPF III and the next phase of AIPEG.

Building a stronger management function

In conclusion we offer some comments on the role of the Secretariat.

Much of the value of GPF as assistance to Indonesia lies in the decentralization of management and initiative to its thirteen partnerships. But this means there are inherent difficulties in forming and applying overall priorities, and in allocating financial resources most effectively.

The best prospects for wise decisions about priorities and resource allocation lie in the Steering Committee, the Secretariat, and others in AusAID and the GPF partner agencies, using the governance arrangements collaboratively, through professional and fact-based discussions in which those with the best understanding and ideas contribute most.

It was pointed out to the MTR Team that the Secretariat’s role in practice has been largely administrative. Hence we see some merit in ensuring the Secretariat’s management function includes the following tasks: the preparation of briefs about GPF’s strategic direction; building a knowledge base about each partnership and the GPF overall; improving the quality of self-reporting and the level of monitoring; strengthening evaluation; and proactively using case/scoping studies to inform management decisions.

By doing this the Secretariat would strengthen its advice to the Steering Committee and add value to the collaborative governance which GPF needs.