

EVALUATION OF THE MULTILATERAL DEVELOPMENT BANK – INFRASTRUCTURE ASSISTANCE PROGRAM

FINAL REPORT

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ABBREVIATIONS

ADB	Asian Development Bank
BAPPENAS	Badan Perencanaan Pembangunan Nasional (the Government of Indonesia's National Development Planning Agency, with responsibility for donor coordination)
DFAT	Australian Department of Foreign Affairs and Trade
GoA	Government of Australia
Gol	Government of Indonesia
IndII	Indonesia Infrastructure Initiative - an Australian-funded infrastructure assistance program
INIS	Indonesia Infrastructure Support (INIS) Trust Fund managed by the World Bank
KIAT	The Indonesia Australia Infrastructure Partnership facility program is known as <i>Kemitraan Indonesia Australia Untuk Instrasruktur</i> (KIAT). The KIAT officially commenced in July 2017 and replaces the IndII facility that ended in June 2017.
MDB-IAP	Multilateral Development Bank – Infrastructure Assistance Program
M&E	Monitoring and Evaluation
OECD-DAC	Organisation for Economic Cooperation and Development – Development Assistance Committee
PLN	Perusahaan Listrik Negara (the National Electricity Company)
SIAP	Sustainable Infrastructure Assistance Program (SIAP) – Technical Assistance Cluster administered by the Asian Development Bank

EXECUTIVE SUMMARY

This report is the culmination of the analysis and findings of the extent to which the Multilateral Development Bank – Infrastructure Assistance Program (MDB-IAP) has achieved against the evaluation objectives. It provides a determination on whether the partner-led program modality is effective and is delivering expected outcomes. The report also identifies how adaptive the MDB-partners have been to emerging themes and the extent to which this adaptation has benefited the program.

The overarching objective of the Government of Australia's (GoA's) investment through the MDB-IAP is to contribute to Indonesia's rapid, sustainable, and inclusive development by supporting its efforts to expand and improve infrastructure. This is achieved by providing a combined level of funding of AUD50 million for the delivery of technical assistance through two trust funds; the Indonesia Infrastructure Support (INIS) Trust Fund managed by the World Bank and the Sustainable Infrastructure Assistance Program (SIAP) – Technical Assistance Cluster administered by the Asian Development Bank. Actual allocation of funding per year to each trust fund was to be assessed based on performance, demonstrated capacity to deliver and the quality of the pipeline proposals presented.

The MDB-IAP was established to finance quality technical assistance through partner-led activities that are aimed at strengthening the policy and institutional framework for infrastructure provision, and improving the preparation and delivery of infrastructure investment and maintenance programs in Indonesia.

It was anticipated that the outcomes from these GoA-funded activities would result in leveraged investment by the Government of Indonesia (GoI) and the MDBs using the project preparation outputs. It was also anticipated that project outputs would influence new GoI policy decisions and contribute to reforms in focus areas on infrastructure.

The evaluation found that the governance and implementation arrangements for each trust fund are sufficient to achieve the overall objective of the MDB-IAP. However, due to inconsistencies in the governance and implementation arrangements between the two trust funds, it is difficult to directly compare performance and achievement of outcomes. The different identification and basis of grouping, tracking and reporting on projects between INIS and SIAP also makes it difficult to compare and contrast effectiveness of performance and quality of pipeline projects between the two trust funds. The inability to directly compare success between the trust funds is compounded by the lack of an agreed, consistently applied Monitoring and Evaluation (M&E) framework across the program.

Notwithstanding the differences in governance arrangements and the methods for measuring success, MDB-IAP funded activities were found to have been effective in delivering against the program outcomes. Numerous examples of Australian-funded technical assistance being used in the establishment or subsequent oversight of loan funding arrangements were identified. Examples were also identified of targeted project outputs influencing GoI policy decisions and contributing to reforms in certain focus areas. While the actual quantification and reporting of the level of impact for funds expended has varied between the trust funds, due to no clear or consistent definition of how this was to be captured, MDB calculated levels of leveraged investment in infrastructure at the time of this evaluation amount to some USD6 billion.

The MDB-IAP governance and administrative arrangements were found to have been either sufficiently broad enough, or readily amendable, to adapt to changing GoI and MDB infrastructure priorities over the life of the program. There is no requirement in these arrangements to specifically consider Australia's priorities in project selection or delivery and no such adjustments were observed over the life for the MDB-IAP in response to emerging themes or changing priorities from the GoA perspective (such as Australia's position on social inclusion and gender equality).

As a result, the funding of specific activities under the MDB-IAP is consistent with the evolving GoI and MDB investment priorities. The provision of non-core component funding to MDBs is consistent with broader objectives of the Australian aid program and the Indonesia-specific Aid Investment Plan, and is considered an effective way of delivering Australia aid. However, as there was no clear or explicit strategy prioritising Australia's investment in infrastructure within Indonesia, the evaluation is unable to assess how aligned actual funding decisions for individual activities have been with Australia's priorities. This also creates a risk that other, and potentially more mutually relevant projects to the GoA, are not being identified and/or considered for funding.

The report makes five recommendations aimed at fine tuning the existing arrangements and any future trust fund investments, to develop an increased level of consistency and comparability between the trust funds as envisaged in the investment design. These refinements, balanced against a proportional and risk based assessment of available Department of Foreign Affairs and Trade (DFAT) staff resources, are recommended to ensure that outcomes are better able to be considered over the remaining life of the program, that additional activities are in line with Australia's priority areas and, recognising the existing bilateral investment program in infrastructure, that new technical assistance activities are funded through the most appropriate available funding modality.

RECOMMENDATIONS

Recommendation 1

If DFAT is to provide future funding through Multilateral Development Banks Infrastructure Trust Funds, a minimum set of common governance arrangements, reporting requirements and overarching Monitoring and Evaluation framework should be developed and implemented to enable performance to be assessed in a consistent and comparable manner across the multiple trust funds.

Recommendation 2

Consistent with the establishment of a specific Monitoring and Evaluation framework for the program if additional funding is to be provided through Multilateral Development Bank Infrastructure Trust Funds, specific operational-level outcomes and outputs should be identified, agreed and promulgated up front, including the associated definitions for measuring and reporting success.

Recommendation 3

A mechanism should be developed and implemented with Multilateral Development Banks that enables Government of Australia priorities and emerging themes to be clearly incorporated into Multilateral Development Bank Infrastructure Trust Fund decision-making processes and project delivery activities.

Recommendation 4

A set of selection and evaluation criteria for future Multilateral Development Bank Infrastructure Trust Fund-funded activities should be developed that ensures consideration of key priority areas for the Government of Australia. Consideration should also be given to sustainability criteria where it is known upfront that particular technical assistance is required for the duration of a loan arrangement.

Recommendation 5

A feedback mechanism should be developed to capture Government of Indonesia feedback on Multilateral Development Bank Infrastructure Trust Fund project selection and delivery to ensure future technical assistance activities are being funded under the most appropriate available modality of assistance.

BACKGROUND

The overarching objective of the Government of Australia's (GoA's) investment through the Multilateral Development Bank – Infrastructure Assistance Program (MDB-IAP) is to contribute to Indonesia's rapid, sustainable, and inclusive development by supporting its efforts to expand and improve infrastructure.

The MDB-IAP has provided for up to AUD50.5 million to be channelled to the World Bank and the Asian Development Bank (ADB) through two trust funds over the six-year period 2013 to 2019¹:

- the Indonesia Infrastructure Support (INIS) Trust Fund administered by the World Bank. This trust fund was established in 2008 as part of earlier technical assistance funding provided by the GoA and the agreement was amended to reflect the revised administrative and governance arrangements required for the MDB-IAP; and
- the Sustainable Infrastructure Assistance Program (SIAP) – Technical Assistance Cluster administered by the ADB. This mechanism was established specifically by ADB in response to the MDB-IAP initiative.

The MDB-IAP is a partner-led program established to finance quality technical assistance through partner-lead activities aimed at strengthening the policy and institutional framework for infrastructure provision, and improving the preparation and delivery of infrastructure investment and maintenance programs.

The design of the program was broad in nature and it was widely understood that the actual technical assistance outputs would depend on the nature of the specific activities recommended by partner MDBs. Anticipated activities included those that would directly support project preparation and implementation (such as feasibility studies and detailed engineering designs) and those intended to support sector policy, regulatory and institutional development and reform (such as draft regulations, recommendations for reform, sector/sub sector diagnostics).

It was anticipated that the outcomes from these GoA-funded activities would result in leveraged investment by the Government of Indonesia (GoI) and the MDBs using the project preparation outputs. It was also anticipated that project outputs would influence new GoI policy decisions and contribute to reforms in infrastructure focus areas.

Notwithstanding that the MDB-IAP was being delivered through two different MDBs and associated trust fund mechanisms, the original design anticipated consistent governance arrangements for both trust funds and the then Australian-funded infrastructure initiative (IndII). This included common reporting, monitoring and evaluation, and an 'overlay' of Australia's priorities across the program. Consistent monitoring and evaluation standards across the two trust funds was considered critical to ensure adequate performance was achieved and to provide adequate information to inform steering committee decision makers. The priorities for investment were to be in accordance with the then AusAID's anticipated infrastructure delivery strategy that was scheduled for completion by 31 October 2013 however, this strategy was never promulgated.²

¹ This funding was in addition to the AUD10 million already provided to World Bank between 2008 and 2013 and AUD5 million to the ADB in 2011-12 for specific technical assistance activities.

² In July 2015 DFAT released the *Strategy for Australia's Aid Investment in Economic Infrastructure*. While not providing specific insight and priorities for Indonesia, the theory of change outlined in that strategy, as replicated in Annex 3 of this report, reinforces the overarching concept that improved economic infrastructure improves economic integration and growth. Improved infrastructure may also enable households to access the services they need more easily which in turn enhances productivity and wellbeing. More recently, the *Aid Investment Plan Indonesia 2015/16 to 2018/19* provides information on Australia's broad areas of interest in economic infrastructure investment in Indonesia. The MDB-IAP governance and administrative documents make no reference to either of these documents.

EVALUATION PURPOSE AND METHODOLOGY

There were three core objectives for the evaluation of the MDB-IAP. These were to:

- assess the extent to which expected outcomes of MDB-IAP were achieved
- determine whether the program modality is effective and delivering expected outcomes
- identify if the World Bank and ADB have been adaptive to change and emerging themes and if so has this benefited the program.

The primary evaluation questions underpinning the evaluation of the MDB-IAP were:

1. How suitable were the governance and implementation arrangements?
2. How effective was the program in delivering outcomes and adapting to change?
3. How relevant is the program overall as well as in terms of the individual investment choices made?

The evaluation and analytical framework for investigating these questions was informed by the Organisation for Economic Cooperation and Development – Development Assistance Committee (OECD-DAC) Criteria, including specific reference to relevance, efficiency, effectiveness, sustainability and impact. Annex 2 provides the full detail of the analytical and evaluation framework.

Examination of MDB-IAP-funded activities

While there was not the scope for an exhaustive assessment of individual sub-projects, the evaluation examined a sample of sub-projects / activities approved and funded under each INIS and SIAP. The project name and basis of selection is listed in the following table.

Trust Fund	Project	Rationale
INIS	Urban Transport Corridor Development in Surabaya-RETF	RETF - possibility of modification from original proposal
INIS	Technical Assistance to Support the National Affordable Housing Program	Leverage World Bank lending, large budget allocation
INIS	Indonesia Water Resources Sector Support	Leverage World Bank lending
INIS	Indonesia Infrastructure Support (INIS) Improving Energy Project Delivery Project	RETF - large budget allocation
INIS	Advisory Support on Infrastructure for Tourism	Large funding allocation - Linked to RETF Integrated Tourism Master Plans
INIS	Development of National Urban Water Supply Program	Large budget allocation
INIS	City Technical Capacity Support for Solid Waste Management Investment Preparation	Leverage World Bank lending
SIAP	Accelerating Infrastructure Delivery through Better Engineering Services Project	Leverage ADB lending
SIAP	Electricity Grid Strengthening Program, Sumatera	Leverage ADB lending
SIAP	Improving Multimodal Connectivity to Support Integrated Land and Sea Tollway	Low disbursement
SIAP	Technical Assistance Cluster Management Facility	Large budget allocation

The examination of project specific information, and discussions with Task Team Leaders and GoI officials provided a level of insight into the activities of the MDB-IAP that would not otherwise have been possible. These discussions provided insight into the operation of the program and examples have been cited where relevant in this report.

HOW SUITABLE WERE THE GOVERNANCE AND IMPLEMENTATION ARRANGEMENTS?

Are the governance arrangements appropriate, effective and functioning as envisaged?

Are the World Bank and ADB managing their activities in accordance with the agreed administrative arrangements?

Is the program's Monitoring and Evaluation (M&E) system providing DFAT with the information needed to confidently understand and report on progress?

The MDB-IAP initial investment strategy provided for AUD40 million to be paid between the World Bank and ADB for activities to be undertaken between May 2013 and 2017. Actual allocation per year to each trust fund was to be assessed based on performance, demonstrated capacity to deliver and the quality of the pipeline proposals presented. To enable this assessment, consistent governance and reporting arrangements were to be developed between the two delivery mechanisms (of INIS and SIAP). The program design anticipated that the quality of pipeline activities would be assessed against base criteria and consider such things as alignment with GoA priorities, evidence of stakeholder buy-in and the general fit of the activity against existing infrastructure activities funded by GoA. However, this intended flexibility in funding allocations was not supported by the governance arrangements put in place, for example, by including the overall amount and anticipated annual allocations of funding in the original 2013 ADB agreement (see Annex 2 for details).

As a result of the various amendments to each partner-led mechanism, the MDB-IAP's intended establishment of common reporting and monitoring and evaluation also has not occurred. Rather, INIS and SIAP continue to each operate in a standalone environment with subtly different objectives and intentions to the overarching MDB-IAP.

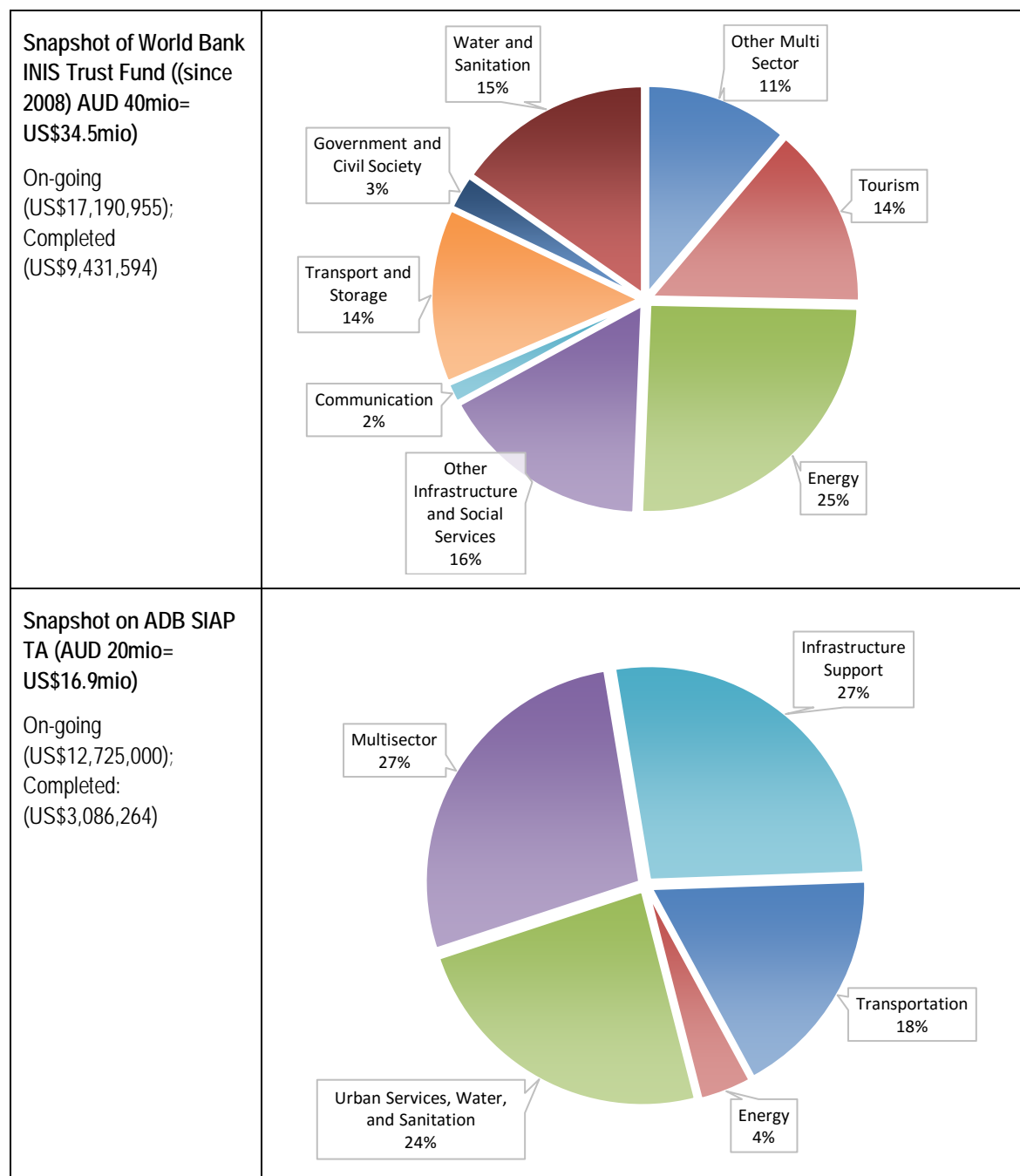
Each trust fund has administrative arrangements that have been agreed between the MDB and the GoA. Actual project application and approval approaches, administrative processes and progress reporting submitted to GoA differs in form and substance between each trust fund. While regular reporting is specified in the administrative arrangements, guidance on what this entails is not. As a result, different progress reporting is provided to GoA under INIS compared to SIAP, and each has differed over the life of the program making a direct comparison of performance over time or between each trust fund difficult.

For example, under the World Bank-administered INIS trust fund, each technical assistance activity is managed as a standalone project with current funding proposals and annual reporting of progress against a specifically developed template. At the time of this review, INIS had funded or was currently funding 61 activities. By comparison, the ADB-administered SIAP trust fund has individual activities funded and reported against a 'cluster' activity that contains administrative funding as well as funding for rapid response technical assistance activities. While individual activities funded under the 'cluster' activities are identified, the actual reporting is combined and therefore not as comprehensive as individually approved technical assistance initiatives. At the time of this review, SIAP had funded or was currently funding 12 specific activities. The different identification and basis of grouping, tracking and reporting on projects between INIS and SIAP also makes it difficult to directly compare and contrast effectiveness of performance and quality of pipeline projects between the two trust funds.

Individual M&E systems are referred to in reporting documentation of each trust fund however there is no overarching M&E system in place for the MDB-IAP which captures how the funding of certain activities is contributing to achieving the program's overall objective. In this absence, DFAT staff at Post manually extract information from annual progress reports for internal reporting and tracking purposes. This internal briefing enables GoA to consider a one-page snapshot of each trust

fund by approved activity sector, including an overall assessment of funding allocations for ongoing activities (covering ongoing and completed). In this reporting, the SIAP 'cluster' of technical assistance projects are tracked at the consolidated 'multisector' level rather than the specific sector that each sub-activity is operating. An extraction from the August 2017 reporting is shown in Figure 1.

Figure 1: Consolidated reporting by sector of INIS and SIAP funded activities as at August 2017



Source: Based on information contained in DFAT *MDB Briefing per August 2017*

While a steering committee has been established for each trust fund, in each case there have been difficulties in meetings being held as scheduled due to availability of nominated senior officers. As a result, the set of steering committee minutes examined for each trust fund does not provide a comprehensive coverage of trust fund decision making. In the absence of the formally scheduled meetings being held, an out of session 'no objection' approval process has been established for each trust fund and has been frequently used for both INIS and SIAP activities. The approval of projects out of session facilitates an operational efficiency notwithstanding that meetings are not being held

as scheduled; however, it also inhibits the overarching strategic influence, coordination and performance assessment envisaged by each steering committee. No formal assessment of pipeline activities against specific base criteria was evident for either INIS or SIAP.

Lack of regular steering committee meetings has also reduced the opportunity for relative performance assessment being undertaken between the two trust funds and optimising potential synergies between funded activities across the MDB-IAP.

For example, while it was intended that the SIAP Steering Committee meet at a minimum of twice a year, meeting minutes show one meeting was held in 2014 and another in 2017. In the absence of these meetings, committee members approved funding and consideration of projects and advisory services through email and/or letters. The June 2016 SIAP review report noted that, while the Secretariat met with individual Steering Committee members to discuss performance and proposals as required, by not meeting as a group there was no opportunity to discuss strategic direction, collaboratively discuss performance issues or jointly discuss a proposed project being considered for funding. The report also noted that the level of Steering Committee membership from the GoI, at the Deputy Minister level, resulted in a significant lack of predictability in firm meeting arrangements due to their Cabinet obligations.

In the absence of the anticipated GoA infrastructure delivery strategy for Indonesia being finalised in 2013 and providing the 'overlay' of Australia's priorities in the investment decisions, the MDB-IAP governance and implementation arrangements have focused on the MDB's priorities and lending pipeline within Indonesia. While many amendments to the formal agreements of INIS and SIAP have occurred over the life of the program (see Annex 2 for details), the arrangements have not been amended to specifically include Australia's priorities for consideration when making decisions on infrastructure development and investment as outlined in the *Aid Investment Plan: Indonesia* for the period 2015/16 to 2018/19 or the overarching 2015 *Strategy for Australia's Aid Investment in Economic Infrastructure*. Other than requiring a potential project to fall within technical 'windows' or sectors of investment and approval by the relevant steering committee, there is no apparent governing or administrative arrangement for project selection under either trust fund.

While this lack of specificity enables the MDB-IAP to be responsive to emerging priorities, there is a risk that other, and potentially more mutually relevant projects to the GoA, are not being identified and/or considered for funding through the current arrangements. For example, during the in-country mission the evaluation team became aware of a GoA priority project that an INIS funding proposal had been developed for. This funding proposal had been developed in conjunction with GoI and World Bank staff however, rather than being submitted to the INIS Steering Committee for consideration as expected, the proposal was 'shortlisted out' through earlier internal INIS processes. The transparency of this outcome was not clear. This example highlights that, while the MDB-IAP is partner-led and notwithstanding the Steering Committee process, transparency of project options being put forward to the Committee for consideration are limited and focused around GoI and MDB priorities. This situation is compounded by there being no mutually agreed selection or evaluation criteria used for consistent and transparent decision-making.

The lack of specificity around project selection within the MDB-IAP also raises the question on whether the MDB-IAP is the most appropriate mechanism for funding certain technical assistance noting the different comparative advantages between the MDB-IAP and the alternate GoA infrastructure initiative KIAT.³ Feedback from stakeholders highlighted the importance of retaining flexibility of the program, but indicated that an enhancement of mutually beneficial project identification across the MDB-IAP trust funds and KIAT would be valuable. In this respect, the design and implementation of KIAT identifies the importance of close liaison between the two programs.

³ The Indonesia Australia Infrastructure Partnership facility program is known as *Kemitraan Indonesia Australia Untuk Infrastuktur* (KIAT). The KIAT officially commenced in July 2017 and replaces the IndII facility that ended in June 2017. The KIAT involves up to AUD300 million being spent between 2016 and 2026.

Conclusion

The governance and implementation arrangements for each trust fund are suitable to achieve the overall objective of contributing to Indonesia's rapid, sustainable, and inclusive development by supporting its efforts to expand and improve infrastructure. However, due to ongoing inconsistencies in the governance and implementation arrangements between the two trust funds it is difficult to effectively compare performance and progress against program objectives over the life of the MDB-IAP. This inability to directly compare success between the trust funds is compounded by the lack of an agreed, consistently applied M&E framework that outlines how funding certain activities will in-turn support the overall achievement of the MDB-IAP's program objectives.

While the MDB-IAP has delivered against some of Australia's broad strategic priorities,⁴ this could be enhanced by including an explicit requirement in the governance arrangements to have regard to Australia's priorities as part of project funding considerations.

Recommendation 1

If DFAT is to provide future funding through Multilateral Development Banks Infrastructure Trust Funds, a minimum set of common governance arrangements, reporting requirements and overarching M&E framework should be developed and implemented to enable performance to be assessed in a consistent and comparable manner across the multiple trust funds. The implementation of any revised arrangements should be proportional and risk based having regard to the level of available DFAT staff resources for the associated management and oversight of such arrangements.

HOW EFFECTIVE WAS THE PROGRAM IN DELIVERING OUTCOMES AND ADAPTING TO CHANGE?

Are the program's outcomes clearly defined?
Is the program effective in delivering on expected outcomes?
Have the World Bank and ADB been adaptive to change (i.e. change in GOI priorities) and emerging themes (i.e. the Australian Government's position on social inclusion and gender equality)?
Has the program been successful in leveraging the investment made by the Australian Government?

As noted earlier in this report, the MDB-IAP was established to finance quality technical assistance through partner-led activities that are aimed at strengthening the policy and institutional framework for infrastructure provision, and improving the preparation and delivery of infrastructure investment and maintenance programs.

The high level outcome anticipated from GoA funding specific activities was leveraged infrastructure investment by the GoI and the MDBs using the project preparation outputs. It was also anticipated that project outputs would influence new GoI policy decisions and contribute to reforms in focus areas.

While the term leveraged investment is noted in the outcome, the actual definition of what this means and how this would be best measured was not evident in MDB-IAP documentation. As a result, progress reporting on the level of effectiveness against this outcome has varied over time. Further, while the level of 'leveraged investment' is an important indicator of success; it is more difficult to measure the value of intangible policy or institutional reform as a result of GoA-funded technical assistance, or the cancellation of a potential loan investment as the result of a particular study. For example, the 2016 INIS annual progress report noted that ongoing activities in the energy

⁴ For example, supporting Indonesia to expand and improve its infrastructure through increased investment.

sector have promoted transparency, good governance and facilitated better policy making and streamlining of the regulatory framework. In particular, the *Improved Energy Project Delivery* (involving an INIS investment of USD1.5 million) project considered as part of this evaluation has supported work within the Ministry of Energy and Mineral Resources' (MEMR) priorities, such as studies and analyses for fuel price, electricity tariff, and state budget adjustments; the development of regulations as the foundation for implementing decisions; and monitoring, facilitating, and debottlenecking the implementation of MEMR's priority programs.

In relation to SIAP, the June 2016 review report highlighted that two project preparatory technical assistance activities were financed to the value of just under USD1 million, without either proceeding to an investment loan. Similarly, one policy advisory support technical assistance engagement (costing USD120,000) of itself led to little but the issue it was examining – a land financing initiative – was taken up by GoA for support through an alternate delivery mechanism.

Ongoing visibility of project impacts was also noted as being difficult where technical assistance funding was provided for initial studies but not later in the broader loan investment activity. For example, under INIS reporting arrangements, while a completed activity continues to be included in annual progress reporting tables, no further information is forthcoming. A particular project example is the INIS funded *Technical Review and Support for Jakarta Flood Management System* completed in August 2014 at a cost of USD170,000. While this technical review leveraged Gol investment and a World Bank loan for urgent flood mitigation activities in Jakarta, no further information is included in the annual progress report.

Notwithstanding differences in governance and administrative arrangements between the two trust funds, overall the activities and sub-projects that have been funded to date under INIS and SIAP are reported to have made a substantial contribution to achieving the overarching outcome of the MDB-IAP and leveraging considerable investment.

For example, the 2016 Annual INIS progress report prepared by the World Bank highlighted that INIS engagement has focused on critical challenges as identified by Gol policymakers. The activities supported each sector's strategic priorities, contributing significantly to the development of national policies and reforms, and catalysing investments. The report also stated that USD4.6 million of INIS funded activities could be directly linked to infrastructure loan investment in Indonesia of some USD2.9 billion. For example, the *National Urban Slum Upgrading Program* activity funded by INIS for USD200,000 is reported to have leveraged a loan investment by the World Bank of USD1.5 billion for the *Indonesia National Slum Upgrading Project*.

Similarly, the June 2017 bi-annual SIAP report prepared by ADB reported that SIAP has focused on providing support in strengthening infrastructure preparation; facilitating access to infrastructure financing; improving infrastructure implementation and project monitoring; and undertaking issue-specific analysis and providing policy advice. Overall, ADB considers that SIAP has had a positive impact. ADB reported that, with some USD10 million committed in activities, SIAP has contributed to nearly USD3 billion in ADB and government approvals for new priority infrastructure projects and policy based loans, contributed to improved access to infrastructure financing, and helped create a better enabling environment for government service delivery in key areas of clean energy and water security. For example, the SIAP funded *Electricity Grid Strengthening Program* originally provided funding of USD150,000 to undertake technical and due diligence 'audit' assessments associated with disbursements of the USD600 million Result Based Loan provided by ADB to the PLN (National Electricity Company). This loan provided funding to carry out major power transmission and distribution system upgrades in Sumatra. The technical assistance has since been increased to USD500,000 and the audit team is also managing the technical and due diligence tasks associated with disbursements of an additional USD500 million Results Based Loan to PLN by the World Bank. The evaluation team was also advised during the in-country mission that an additional ADB loan to PLN was under development.

Information obtained through the in-country mission consultations combined with examination of project documentation show that the World Bank and ADB have both been adaptive to changing Gol

infrastructure priorities over the life of the MDB-IAP, particularly where these priorities were consistent with the MDB's own priorities. GoI officials did however comment that it was more difficult in obtaining support or assistance in preparing a proposal for funding where the activity was not a high priority of the MDB's.

Additionally, as a sign of being adaptive to change the formal trust fund arrangement for the INIS trust fund was amended twice, once in 2012 and again in 2015, to revise the sector groupings and types of activities to be funded through the trust fund. These amendments were not connected to funding amounts to be paid between the trust funds.

While information was available to show that both the World Bank and ADB have been adaptive to changing GoI priorities, their ability to being adaptive to emerging themes or changes in GoA priorities such as the Australia's position on social inclusion and gender equality as part of the MDB-IAPs project's selection and delivery was less obvious.⁵ It is recognised that the GoA's emerging themes may have been incorporated as part of the standard MDB activity safeguard assessments, but no particular change was noted in the operation of the MDB-IAP in response to changing GoA priorities.

Conclusion

Notwithstanding the differences in governance arrangements and potential differences in measuring success, MDB-IAP funded activities have been effective in delivering against the program outcomes, including leveraged investment in Indonesia. Numerous examples of funded technical assistance being use in the establishment or subsequent oversight of loan funding arrangements were identified. Examples were also identified of targeted project outputs influencing GoI policy decisions and contributing to reforms in certain focus areas. The actual quantification and reporting of the level of impact has varied due to a lack of clear or consistent definition of how this is to be captured.

The MDB-IAP governance and administrative arrangements were found to have been either sufficiently broad enough, or readily amendable, to adapt to changing GoI and MDB infrastructure priorities over the life of the program. There is no requirement in these arrangements to specifically consider GoA priorities in project selection or delivery and no such adjustments were observed over the life for the MDB-IAP in response to emerging themes or changing priorities from the GoA perspective (such as Australia's position on social inclusion and gender equality).

Recommendation 2

Consistent with the establishment of a specific Monitoring and Evaluation framework for the program if additional funding is to be provided through Multilateral Development Bank Infrastructure Trust Funds, specific operational-level outcomes and outputs should be identified, agreed and promulgated up front, including the associated definitions for measuring and reporting success.

Recommendation 3

A mechanism should be developed and implemented with Multilateral Development Banks that enables Government of Australia priorities and emerging themes to be clearly incorporated into Multilateral Development Bank Infrastructure Trust Fund decision-making processes and project delivery activities.

⁵ It is understood that GoA's priorities are raised through high level meetings with MDBs however there is no explicit mention in the governance or administrative arrangements for the MDB-IAP that requires the program to be adaptive to any associated changes in these priorities.

HOW RELEVANT IS THE PROGRAM OVERALL AS WELL AS IN TERMS OF THE INDIVIDUAL INVESTMENT CHOICES MADE?

How aligned is the program to Australian and Indonesian Government priorities?

Does DFAT have sound decision making processes regarding investment decisions between World Bank and ADB?

By being a partner-led program, the governance and administrative arrangements of the MDB-IAP are primarily aligned to the priorities of the World Bank and the ADB. These priorities are publicly communicated through applicable MDB aid investment plans and country strategies. As the technical assistance projects funded by the MDB-IAP are closely tied to the loan investment support activities of the GoI, the program is also heavily aligned to the GoI priorities. In particular, the GoI *List of Medium Term Planned External Loans 2015-2019* (the Blue Book) and the annual *List of Planned Priority External Loans* (the Green Book) publicly outline priority areas for investment.

As a modality, the MDB-IAP providing non-core contributions to the World Bank and the ADB for the funding of infrastructure technical assistance in Indonesia is well aligned to the Australian aid program. For example, the 2015 Office of Development Effectiveness (ODE) report on *Banking our aid: Australia's non-core funding to the Asian Development Bank and the World Bank* concluded that non-core funding to the ADB and World Bank is an effective and efficient way of delivering Australian aid. The ODE reported that, through non-core funding Australia has supported the MDB's to provide aid in places or to address issues that are central to Australia's policy interests, work they could not have done without Australian funding. ODE also considered that non-core funding has provided access to the banks' specialist expertise, and policy discussions with recipient governments.⁶

The publication of Australia's policy interests in relation to providing infrastructure assistance to Indonesia was not finalised by 31 October 2013 as anticipated in the design of the MDB-IAP. In 2015 DFAT published its *Aid Investment Plan Indonesia 2015/16 to 2018/19*. The plan explained that the overarching goal of Australia's development program was 'to partner with Indonesia to boost inclusive growth and productive jobs by improving Indonesia's competitiveness through strengthening the impact of Indonesia's own resources'. One of three objectives to achieve this goal is supporting effective economic institutions and infrastructure. The plan outlines high level strategic intentions however the stated priorities are not readily tangible and are difficult to translate into specific funding decisions.

In addition to Australia's broad investment plan for Indonesia, DFAT also published in 2015 its *Strategy for Australia's Aid Investment in Economic Infrastructure*. This publication provides a theory of change (as replicated in Annex 3 of this report) and an overall strategy underpinning the provision of GoA aid assistance in relation to infrastructure. Specifically, the strategy reinforces the concept that improved economic infrastructure improves economic integration and growth. Improved infrastructure may also enable households to access the services they need more easily which in turn enhances productivity and wellbeing. The 2015 strategy outlines that Australia's infrastructure investments generally consist of both hard (building infrastructure) and soft (capacity building and technical assistance) support. The strategy states that, in large or more developed countries such as Indonesia, Australia's infrastructure investments are minor compared to the local infrastructure budget. In this case, soft infrastructure can be transformational and make a more significant and sustainable difference than what we could have made through investing in construction. In situations like this, the strategy explains that our best use of resources is not necessarily providing capital for major infrastructure, rather, supporting activities such as project preparation, safeguards,

⁶ Commonwealth of Australia, DFAT – Office of Development Effectiveness, *Banking our aid: Australia's non-core funding to the Asian Development Bank and the World Bank*, September 2015, pp.2–3.

and leveraging public and private financing.⁷ Investments made through the MDB-IAP are consistent with these perspectives.

While the Indonesia-specific Aid Investment Plan and the broader strategy associated with Australia's investment in economic infrastructure, provides high level guidance; consideration of Australia's priorities as part of the MDB-IAP could be enhanced by DFAT providing more direction on specific priorities for investment.⁸

In relation to actual activities being funded through the MDB-IAP, an out of session INIS Steering Committee endorsement of seven funding proposals noted how the proposals 'all outlined well the links to key Gol priorities which are also a key element of our [Australia's] development program's performance framework.'

Discussions with Gol stakeholders highlighted positive feedback on MDB-IAP funded projects that linked to specific loan activities and disbursement of payment, such as the Result Based Loans mentioned earlier in this report. It was also clear from discussions that at times technical assistance activities were being proposed and funded for an initial period even though it was clear that capability and capacity needed to be supported within the Gol line ministry for the duration of the loan activity such as the SIAP-funded technical assistance provided to the Ministry of Public Works and Housing (MPWH) under the *Accelerating Infrastructure Delivery through Better Engineering Services* Project. This investment involved an initial approval of USD81,500 to provide technical assistance to the MPWH's Office of the Secretary General to support in the coordination and oversight of activities associated with a USD150 million technical assistance loan. While initial SIAP-funding was based on a short-term input, the role had been extended once and, during the in-country mission it was made clear that a further extension was being sought by the MPWH as there was a need for continued support in this area.

Less favourable feedback related to initial planning studies and options analysis where expectations on the research outcomes differed between the Gol line ministry and the MDB such as the *Improving Multimodal Connectivity to Support Integrated Land and Sea Tollway* study funded through SIAP. In this respect, while proposed activities align with high level Gol priorities, there would be benefit in better capturing Gol feedback on funded projects to assist in future project selection and inform assessment on whether that type of activity is best funded by the MDB-IAP or another modality in future.

In relation to overall funding decisions of the MDB-IAP, the original design sought to provide DFAT with the flexibility to adjust the funding provided to each MDB per annum based on individual performance, demonstrated capacity to deliver, and the quality of the pipeline of proposals presented by each. This 'contestability' was considered one of the key features of the strategic approach for the establishment of the MDB-IAP.

In relation to structural arrangements, the INIS trust fund was established in a way that the formal arrangement reflected the currently agreed level of funding. Each time a new payment was agreed to be made by DFAT a corresponding amendment was made to this arrangement. For example, the overall amount of AUD21 million was increased to AUD30 million in June 2015, with a subsequent payment of AUD9 million following soon thereafter. Unlike INIS, the original agreement with ADB

⁷ Commonwealth of Australia, DFAT, *Strategy for Australia's aid investments in economic infrastructure*, June 2015, p.10.

⁸ The lack of an explicit Indonesian infrastructure sector engagement strategy was highlighted in the ANAO's 2013 performance audit on *AusAID's Management of Infrastructure Aid to Indonesia*. ANAO recommended that AusAID progress the development of a sector strategy, with the view to finalising the strategy as soon as possible. AusAID agreed to the recommendation and advised that a strategy was under development. The finalised strategy was anticipated to guide Australia's investment in the development of Indonesian infrastructure over the following five-year period.

anticipated that a total amount of AUD20 million was to be paid into the SIAP trust fund between 2013 and 2017, with an expectation that an annual payment of AUD5 million would be made.

Noting the anticipated annual tranche payment to be paid into the SIAP trust fund, when DFAT assessed in April 2016 that disbursements were slower than expected and the scheduled funding should be delayed, an Exchange of Letters was required to amend the original arrangement. When the assessment was made on the ADB expenditure profile and current pipeline of projects, a similar assessment was made that the INIS trust fund was in a stronger position to absorb the available additional funds. While an amendment was required to each trust fund arrangement, having the overall amount aligned with currently agreed and funded levels of payment minimise expectation management issues and potential damage to relationships, while continuing to allow for flexibility in future payments based on performance.

In relation to the internal adjustment of allocated funding, each trust fund has examples where reallocation of funding from one slow or poor performing project to other existing or new activities has occurred. For example, in late 2014 World Bank cancelled the remaining activities under the *TA Support for Lampung PDAM Water Distribution Improvement* technical assistance funded by INIS due to uncertainty associated with the project. Originally this activity was funded for USD224,400 however only USD40,792 was subsequently spent and remaining funds were returned to the trust fund for reallocation. Similarly, the SIAP-funded *Scaling Up Hydropower Development* project was initially approved for USD2 million but was closed in 2016 after expending USD382,263 (excluding ADB's management fee). This project was initially intended to help prepare hydroelectric power supply schemes but the approach was abandoned after the GoI and PLN choose not to proceed. The remaining financial commitment was released so that it was available for alternative projects.

Conclusion

The funding of specific activities under the MDB-IAP is consistent with the GoI and MDB investment priorities. The provision of aid funding to MDBs in this manner is consistent with broader objectives of the Australian aid program and the Indonesia-specific Aid Investment Plan, and is considered an effective way of delivering Australia aid. However, as there was no clear or explicit strategy prioritising Australia's investment in infrastructure within Indonesia the evaluation is unable to assess how aligned actual funding decisions for individual activities have been with Australia's priorities. This creates a risk that other, more mutually relevant projects to the GoA are not being identified and/or considered for funding.

The existing standalone governance and administrative arrangements for each trust fund make it difficult to readily compare performance between the two and make decisions associated with tranche allocations as originally anticipated in the design of the MDB-IAP. In the absence of clearly defined base criteria, the level of disbursement rates against approved expenditure has been used as a key measure of progress. Noting the two different types of agreement in place under the MDB-IAP, having a trust fund arrangement such as INIS that only reflects currently approved amounts and associated payments minimises expectations while still providing for future payments to be determined based on performance.

There is also currently no mechanism as part of the MDB-IAP that captures feedback from stakeholders on the effectiveness (or otherwise) of particular funded activities. Developing such a mechanism will allow broader feedback to be captured and incorporated into future decision making. It will also help ensure that future requests for technical assistance are being directed at the most appropriated and available funding modality, for example through the MDB-IAP or through KIAT.

Recommendation 4

A set of selection and evaluation criteria for future Multilateral Development Bank Infrastructure Trust Fund-funded activities should be developed that ensures consideration of key priority areas for the Government of Australia. Consideration should also be given to sustainability criteria where it is

known upfront that particular technical assistance is required for the duration of a loan arrangement.

Recommendation 5

A feedback mechanism should be developed to capture Government of Indonesia feedback on Multilateral Development Bank Infrastructure Trust Fund project selection and delivery to ensure future technical assistance activities are being funded under the most appropriate available modality of assistance.

ANNEX 1

History of INIS

The INIS Trust Fund was approved in May 2008 and became effective on 14 October 2008. The objective of INIS is to increase the quality and quantity of Indonesia's infrastructure through strengthening the design of activities to harmonise current and planned strategic priorities of the GoI, and to support initiatives by the World Bank and the GoA in regard to Indonesia's infrastructure development. Activities funded and executed through INIS are those areas where the World Bank, as the executing agency, had an agreed comparative advantage and that the activity is compatible with the World Bank and GoI work program.

The initial categories of activities agreed to be funded under INIS were: Cooperation in the road sector, Public-Private Partnership support, Support to the Papua Provincial Government, Slum upgrading and low-income housing, and Rapid response to infrastructure TA requests.

In May 2012 these agreed funding categories were adjusted to seven 'windows' namely: (i) Urban and Metropolitan Area Development, (ii) Water and Sanitation, (iii) Transport, (iv) Energy, (v) Public Private Partnership, (vi) Jakarta, and (vii) Just-in time Delivery.

These technical windows were further refined in May 2015 to align with the new GoI priorities. The refined windows for INIS funding activities became: (i) Improving Indonesia's Connectivity, (ii) Reforming the Energy Sector, (iii) Improving the Delivery of Local Infrastructure Services, and (iv) Developing Financial Solutions. These four windows remain current at the time of this evaluation.

The INIS agreement between the GoA and World Bank, including the amount of funding to be provided and completion timeframes, was regularly varied as summarised in the following table. For completeness the table includes the initial AUD10 million paid before MDB-IAP was established as the balance of the initial funding carried over into MDB-IAP activities.

Date of approval by GoA	Agreed amount of funding (AUD)	Cumulative amount of GoA funding (AUD)	Completion date of the Trust Fund	Comment
27 May 2008	5,000,000	5,000,000	1 June 2010	
14 May 2010	-	5,000,000	1 June 2011	Time extension only
9 June 2011	-	5,000,000	1 June 2012	Time extension only
23 May 2012	5,000,000	10,000,000	31 December 2015	Revised activities, funding increase and time extension
5 June 2013	5,000,000	15,000,000	31 December 2015	Funding increase
3 June 2014	6,000,000	21,000,000	31 December 2015	Funding increase
11 May 2015	-	21,000,000	30 June 2018	Revised activities and time extension
5 June 2015	9,000,000	30,000,000	30 June 2018	Funding increase
3 May 2016	5,000,000	35,000,000	30 June 2018	Funding increase and revised terms
29 May 2017	5,000,000	40,000,000	31 December 2019	Funding increase and time extension

History of SIAP

Unlike the INIS agreement, the initial agreement between the GoA and the ADB, signed in June 2013, provided for an untied grant contribution of AUD20 million to the ADB to support the Government of Indonesia Technical Assistance Cluster: Sustainable Infrastructure Assistance Program (SIAP). The agreement stated that the initial payment was to be up to AUD5 million, and outlined that the balance of the grant would be paid in indicative instalments of up to AUD5 million to be paid on or before 30 June the subsequent three years.

The activities to be financed under the agreement were expected to be implemented from July 2013 to June 2017 and administered in accordance with applicable ADB policies and procedures. A steering committee was to be established to provide overall guidance in programming and critical project-related activities of the SIAP. Specific variations to the agreement are shown in the following table.

Date of approval by GoA	Agreed amount of funding (AUD)	Cumulative amount of GoA funding (AUD)	Completion date of the Trust Fund	Comment
11 June 2013	20,000,000	20,000,000	30 June 2017	Annual tranches of AUD5,000,000 to be paid on or before 30 June of each financial year
12 January 2015	-	20,000,000	30 June 2019	Time extension only
3 May 2016	-	20,000,000	30 June 2019	Adjustment of funding sources, and timing and amount of tranche payments
7 July 2017	-	20,000,000	30 June 2019	Revised terms of the agreement

The SIAP was a grant-financed infrastructure development technical assistance program established to focus on the energy, transport, water supply and sanitation, and urban services sectors. The intention was to adopt a programmatic approach and support an umbrella facility to be administered by ADB that would focus on the intersection of the GoI, GoA and ADB strategic priorities related to infrastructure. The umbrella facility provides better coordination on various infrastructure initiatives, and allows a deeper and more sustained ADB-GoA partnership in Indonesia compared to the previous ad-hoc arrangements for technical assistance funding.

Similar to the INIS Trust Fund being aligned to the World Bank and GoI's work program, the SIAP activities are aligned with the ADB's investment pipeline in Indonesia. Specific activities to be financed through the SIAP support project preparation while also providing targeted analytical support and capacity building in areas that relate directly to ADB's proposed investments. In addition, SIAP supports knowledge management through policy research, distilling lessons learnt and highlighting case studies in areas that relate to ADB's investments in the infrastructure sector.

ANNEX 2: ANALYTICAL AND EVALUATION FRAMEWORK

Objective

There are three core objectives for the evaluation of the MDB-IAP. These are to:

- assess the extent to which expected outcomes of MDB-IAP were achieved
- determine whether the program modality is effective and delivering expected outcomes
- identify if the World Bank and ADB have been adaptive to change and emerging themes and if so has this benefited the program.

Scope

The evaluation will cover all interventions of the MDB-IAP at a strategic level and will drill down in a sample of specific subprojects to examine more closely the extent to which expected outcomes have or are being achieved. It will include a specific focus on progress made towards the programs objectives, as well as the suitability of current arrangements for the future directions of the program. The scope will include consideration of changes that have influenced the program's operating environment and how the current design and administrative arrangements have been able to respond to these changes.

Recognising that the MDP-IAP is a large and integral part of Australia's overall Indonesia infrastructure program, the evaluation will also examine the current level of synergy and engagement between the MDP-IAP and other Australian-funded infrastructure initiatives in Indonesia. Having regard to the findings and recommendations in the Indonesia Infrastructure Initiative (IndII) Phase 2, *Impact Assessment Team: Mission 3 Report*⁹ and the new DFAT facility design, this evaluation will pay particular attention to the interaction between the MDB-IAP and the newly established Indonesia Australia Infrastructure Partnership facility program known as *Kemitraan Indonesia Australia Untuk Instrasruktur* (KIAT). The KIAT officially commenced in July 2017 and replaces the IndII facility that ended in June 2017. The KIAT involves up to AUD300 million being spent between 2016 and 2026. Due to the limited timeframe of this evaluation, the focus of this component will be on the governance mechanisms and communication plans that are to be put in place rather than a review of actual activities.

Additionally, the evaluation, through the above mechanisms will look to provide recommendations for improving the facility in its final year and more importantly, draw conclusions on the development of any future infrastructure trust fund and suitable partners for this.

Team

The evaluation team consists of an independent team leader, Nicky Thatcher, and assistance provided by two subject matter experts within DFAT (Tom Nettleton and Jonathan Gouy). Nicky Thatcher is the author of this report (nicky.thatcher@sustineo.com.au). Nicky Thatcher and Tom Nettleton participated in the in-country mission.

Evaluation questions

The primary evaluation questions underpinning the evaluation of the MDB-IAP are:

1. How suitable were the governance and implementation arrangements?
2. How effective was the program in delivering outcomes and adapting to change?

⁹ KPMG, Indonesia Infrastructure Initiative (IndII) Phase 2, *Impact Assessment Team: Mission 3 Report*, Version 2.2 Final, 28 February 2017, pp. 13-15.

3. How relevant is the program overall as well as in terms of the individual investment choices made?

The evaluation and analytical framework for investigating these questions is informed by the OECD-DAC Criteria, including specific reference to relevance, efficiency, effectiveness, sustainability and impact. The section below gives a brief explanation of how each of these will be considered in the design.

Relevance

Relevance is the extent to which project activities are suited and well aligned with current priorities of the relevant stakeholder groups. This will include evaluating whether the current structure and objective of the MDB-IAP is aligned to the current operating environment for infrastructure development within Indonesia.

Efficiency

Efficiency is the measure of the project outputs in relation to inputs, specifically in relation to whether the resources invested have resulted in adequate returns or could have been better invested. This will include assessing whether the investment of funds within MDB-IAP have been cost-effective for the results achieved, whether they have been delivered in a timely manner, and whether there are opportunities to improve the efficiency of project activities.

Effectiveness

Effectiveness is the measure of the extent to which activities/ subprojects of the program have attained their objectives. This will include assessing whether the objectives of MDB-IAP have been achieved and the identification of factors that enabled or inhibited the achievement of those objectives.

Sustainability

Sustainability is extent to which current project outputs, outcomes and benefits will be sustained beyond the scope of the current donor funding arrangements. This will include considering whether current structures and processes developed through the MDB-IAP would be continued without the current funding arrangements. Sustainability will also be considered in terms of the new trust fund development and associated partner arrangements.

Impact

Impact is the measure of long-term changes (positive and negative) that have resulted from the investments made within the program. This includes both direct and indirect impacts, as well as intended and unintended impacts. This will also include considering the attribution and contribution of MDB-IAP subproject activities to sustained change and infrastructure investment over the period of 2013-2017.

Evaluation Framework

The Evaluation Terms of Reference (TOR) contained a number of guiding questions for investigating the three primary evaluation questions. This section aligns these guiding questions to the elements of the OEDC-DAC Criteria outlined above and the data sources available. The range of data sources to be used for the evaluation includes but is not limited to:

- stakeholder interviews (Government of Indonesia, World Bank, ADB, task team leaders and other advisers, KIAT program office)
- Program governance documentation (including trust fund agreements, steering committee papers and minutes, annual performance assessments, financial approval documentation etc.)
- Program management documentation (including 6-monthly progress reports, subproject specific documentation, etc.)
- World Bank and ADB country strategies, implemented loan/ grant agreements

- DFAT program design documents for the MDB-IAP and KIAT.

Evaluation question	Guiding questions	Data source	OECD-DAC Criteria
1. How suitable are the governance and implementation arrangements?	Are the governance arrangements appropriate, effective and functioning as envisaged?	Program governance documentation Program management documentation Interviews with DFAT officers, World Bank and ADB program managers Interviews with key Gol officials	Relevance Effectiveness Efficiency
	Are the World Bank and ADB managing their activities in accordance with the agreed administrative arrangements?	Program management information Interviews with DFAT officers, World Bank and ADB program managers	Relevance Efficiency
	Is the program's Monitoring and Evaluation (M&E) system providing DFAT with the information needed to confidently understand and report on progress?	Program governance documentation Program management documentation Interviews with DFAT officers, World Bank and ADB program managers Interviews with Task Team Leaders and other advisers on subprojects	Impact Efficiency
2. How effective is the program in delivering outcomes and adapting to change?	Are the program's outcomes clearly defined?	Program management documentation Interviews with DFAT officers, World Bank and ADB program managers	Efficiency Effectiveness

Evaluation question	Guiding questions	Data source	OECD-DAC Criteria
	Is the program effective in delivering on expected outcomes?	Program management documentation Interviews with DFAT officers, World Bank and ADB program managers Interviews with Task Team Leaders and other advisers on subprojects	Effectiveness Sustainability
	Have the World Bank and ADB been adaptive to change (i.e. change in GOI priorities) and emerging themes (i.e. the Australian Government's position on social inclusion and gender equality)?	Program management documentation Interviews with DFAT officers, World Bank and ADB program managers Interviews with key GoI officials	Relevance
	Has the program been successful in leveraging the investment made by the Australian Government?	Interviews with DFAT officers, World Bank and ADB program managers Interviews with key GoI officials World Bank and ADB country strategies, implemented loan/ grant agreements	Impact
3: How relevant is the program overall as well as in terms of the individual investment choices made?	How aligned is the program to Australian and Indonesian Government priorities?	Program management documentation Interviews with DFAT officers, World Bank and ADB program managers Interviews with key GoI officials	Relevance Effectiveness
	Does DFAT have sound decision making processes regarding investment decisions between World Bank and ADB?	Program governance documentation Interviews with DFAT officers, World Bank and ADB program managers	Impact

Evaluation Methods

The evaluation examined the evaluation questions using the following methods for data collection and analysis.

Initial stakeholder engagement

Initial engagement with a small selection of the key stakeholders through telephone / Skype interviews will be used to refine the Evaluation Plan and identify key contextual factors and expectations of the evaluation. Initial stakeholders consulted at this stage will be limited to DFAT staff based in both Australia and Jakarta.

Desk review

Initial desk review of relevant documents was used to develop an understanding of the program intent and context to provide an initial validation for the key evaluation questions, and provide a basis to develop data collection guides and protocols in preparation for an in-country mission to Jakarta. Document review was also an ongoing component of the evaluation as further relevant documents were identified through consultation with stakeholders.

Sample subprojects

While there was not the scope for an exhaustive assessment of individual subprojects, the evaluation drew on primary data collection from fieldwork to triangulate progress reporting in 6-monthly reports and initial findings.

Project selection

Based on feedback provided by DFAT Jakarta Post during the inception phase of this evaluation, a sample of subprojects will be examined to provide a more detailed understanding of the activities being funded through the MDB-IAP and potential leverage being achieved from this investment.

The examination of project specific information, and discussions with Task Team Leaders and GoI officials provided a level of insight into the activities of the MDB-IAP that would not otherwise have been possible. These discussions also provided insight into the operation of the program.

Stakeholder Consultation

A core component of the discovery phase of the evaluation involved a 14-day in-country mission to Jakarta. The fieldwork discussions provide a deeper and more detailed insight in relation to the evaluation questions, particularly through examination of the sample subprojects listed above. This mission included engaging with stakeholders in-country that were involved in the management of the MDB-IAP as well as the management of the individual trust fund activities.

A broad range of stakeholders were consulted through in-person and skype discussions during the mission to Jakarta using a semi-structured interview schedule. These consultations both validated and extended understandings gained from the document review and provide opportunities to elicit stakeholder input on key evaluation questions. Annex 4 lists a range of stakeholders who were consulted for the review. Post.

Acknowledgements

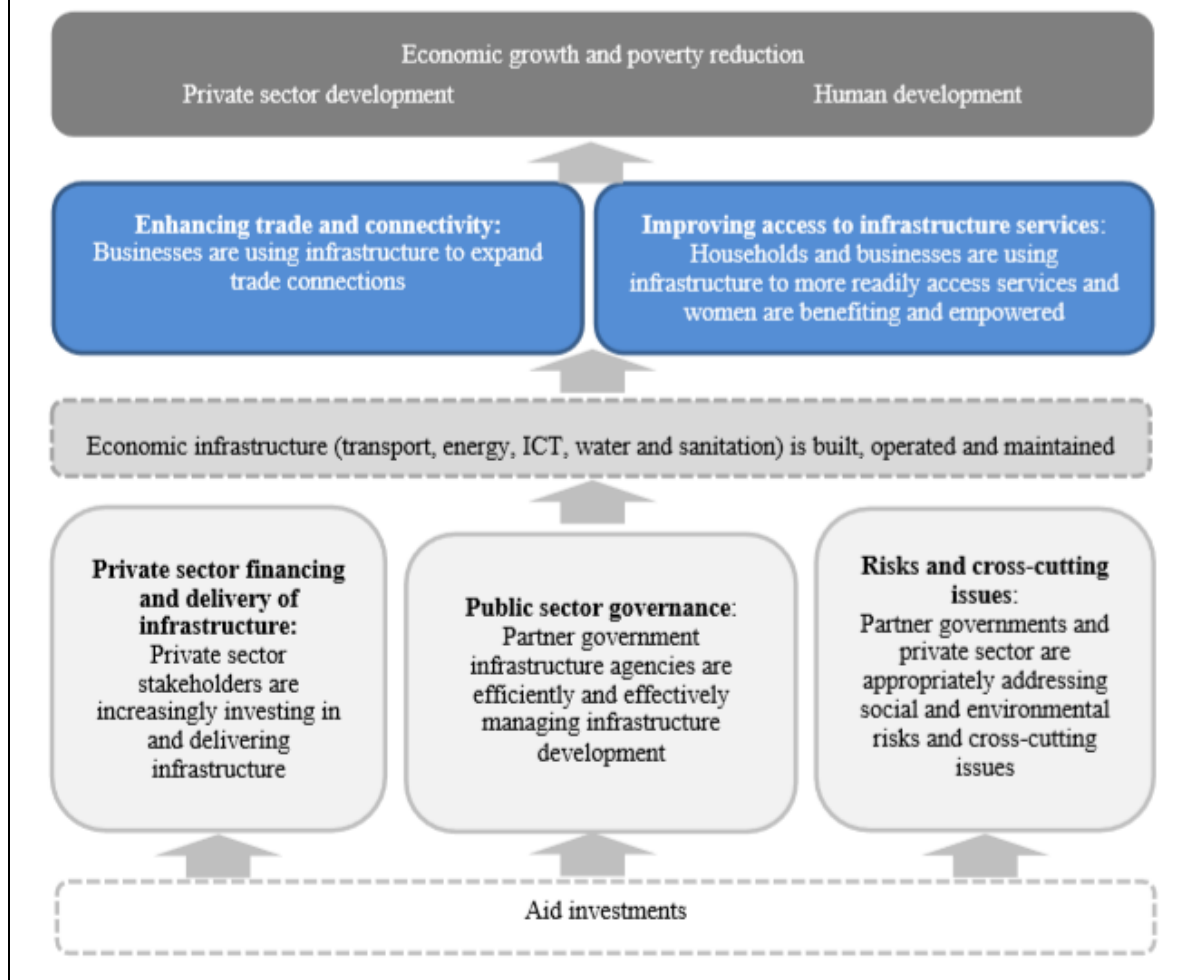
The evaluation team would like to thank all stakeholders who made themselves available to discuss the MDB-IAP and their own experiences with the program. We would particularly like to thank Ms Halida Sukmala and Ms Kim Henderson in the DFAT Indonesia Post for all their assistance in providing requested documentation, facilitating access to the appropriate stakeholders in each organisation and coordinating the visit schedule while in Jakarta.

ANNEX 3: ECONOMIC INFRASTRUCTURE DEVELOPMENT STRATEGY THEORY OF CHANGE

ECONOMIC INFRASTRUCTURE DEVELOPMENT STRATEGY THEORY OF CHANGE

The Australian aid policy focuses on enabling economic growth and poverty reduction through supporting private sector development and human development. It prioritises increasing investment in infrastructure as part of the strategic target of the aid program. Improved economic infrastructure can enable greater connectivity between businesses, which improves economic integration and growth. Improved infrastructure may also ensure that households, including women and girls, and businesses can access the services they need more easily to enhance productivity and wellbeing.

For these improvements to be realised, DFAT will facilitate greater involvement of the private sector in infrastructure development—both as investor, and as a partner in delivery. DFAT will also strengthen partner governments' oversight capability to more efficiently plan, contract, regulate, maintain and finance infrastructure assets. To ensure the benefits of infrastructure investments endure and are equitable, DFAT will also support partner governments and the private sector to appropriately manage social and environmental risks and crosscutting issues. The theory of change recognises that for most DFAT investments, infrastructure outcomes can be conceived as a consequence of improving partner government and private sector capacity, not the direct deliverables of DFAT investments per se.



Source: Appendix A extracted from the July 2015 DFAT *Strategy for Australia's Aid Investment in Economic Infrastructure*

ANNEX 4: PARTIES CONSULTED AS PART OF THIS EVALUATION

The following list represents the stakeholders consulted as part of the evaluation process.

Organisation / Project	Contact
DFAT - Indonesia	Steven Barraclough Minister Counsellor
	Benjamin Williams Second Secretary, Infrastructure
	Kim Henderson Manager Secretariat – Government Partnership Fund
	Halida Sukmala Program Manager – Infrastructure (Development Cooperation)
DFAT – Australia	Jonathan Gouy Director of Development Economics Unit
	Tom Nettleton Assistant Director, Infrastructure Policy Section Banks, Infrastructure and Finance Branch
ADB	Winfried F. Wicklein Country Director, Indonesia Resident Mission
	Anthony Gill SIAP Program Manager and Task Team Leader for Technical Assistance Cluster Management Facility
	Toru Kubo Task Team Leader for Verification of Result Based Lending (RBL) Electricity Grid Strengthening Program, Sumatera
	KH Leung Task Team Leader for Improving Multimodal Connectivity to Support Integrated Land and Sea Tollway
	Olga Suyatmo Task Team Leader for Accelerating Infrastructure Delivery through Better Engineering Services Project
World Bank	Marcus Lee and Francesca de Paolis INIS Program Managers
	Bertine Kempfhaus Team Task Leader for Advisory Support on Infrastructure for Tourism
	Marcus J Wishart and Jun Matsumoto Task Team Leaders for Indonesia Water Resources Sector Support
	Frank Van Woerden Task Team Leader for City Technical Capacity Support for Solid Waste Management Investment Preparation
	Fook Chuan Eng Task Team Leader for Development of National Urban Water Supply Program
Bappenas (National Planning and Development Agency)	Ikhwan Hakim Gol contacts for INIS Urban Transport Corridor Development in Surabaya and SIAP Technical Assistance Cluster Management Facility
	Adi Perdana Gol contact for Improving Multimodal Connectivity to Support Integrated Land and Sea Tollway
	Abdul Malik Sadat Idris Director of Water Resources and Irrigation Gol contact for Indonesia Water Resources Sector Support
	Ir. Widiarto

Organisation / Project	Contact
Ministry of Public Works and Housing (MPWH)	Secretariat General Gol contact for Accelerating Infrastructure Delivery through Better Engineering Services Project
	Julian Syah Senior Project Implementation Specialist (ADB TA 8484-INO) Project Coordination Office (PCO), Accelerating Infrastructure Delivery Through Better Engineering Services Project
	Muhammad Sundoro Gol contact for Development of National Urban Water Supply Program
PLN (National Electricity Company)	Doddy Benyamin Pangaribuan Head of Corporate Planning Division Counterpart for Verification of Result Based Lending (RBL) Electricity Grid Strengthening Program, Sumatera
	Angraini Ika Dewi Senior Manager of Foreign Loan and Grant Planning
	M. Tagor E B Sidjabat Business Expert, Sumatera Region
Cardno Emerging Markets KIAT Facility	Harry Roovers KIAT Facility Director
	David Hawes DFAT Infrastructure Adviser KIAT Permanent Adviser to the Management Committee

ANNEX 5: DOCUMENTS REVIEWED AS PART OF THE EVALUATION

MDB-IAP related documentation

MDB-IAP Investment Design Summary

MDB-IAP original FMA authorisation and approval, including attachments, April 2013

MDB-IAP Briefing per June 2017

MDB Briefing per August 2017

Agreement between DFAT and the World Bank for INIS Trust Fund (and all amendments) dated 2008 to 2017

Minutes of the Steering Committee meeting of INIS Trust Fund (9 April 2015, 16 May 2014 and 7 November 2012)

INIS Trust Fund Progress Reports for 2013 through to 2017

INIS Trust Fund Activity reports (spot check) 2013-2017

IBRD Lending Pipeline FY16-18 of the World Bank

Final Report of Independent External Review of INIS Trust Fund by Lloyd R. Kenward, in May 2012

Agreement between DFAT and ADB for SIAP Technical Assistance Cluster (and all amendments) dated 2013 to 2017

SIAP Technical Assistance Cluster Progress Reports for 2013 through to 2017

SIAP Review Report and First Quarter Update 2016. June 2016

ADB Proposed Lending Pipeline 2015-2019

ADB Country Partnership Strategy, *Indonesia 2016-2019: Towards a Higher, More Inclusive and Sustainable Growth Path*, August 2016

ADB Country Operations Business Plan, *Indonesia 2018-2020*, September 2017

ADB Indonesia Country Operations and Business Plan 2018-2020 presentation on the Country Programming Mission, 7 June to 14 July 2017

Minutes of the Steering Committee meeting of SIAP Technical Assistance Cluster (2 July 2014 and 13 June 2017)

Broader documentation

Commonwealth of Australia, ANAO, The Auditor-General Audit Report No.39 2012-13, *AusAID's Management of Infrastructure Aid to Indonesia*, 28 May 2013

Commonwealth of Australia, DFAT, *Aid Investment Plan, Indonesia: 2015/16 to 2018/19*, (<http://dfat.gov.au/about-us/publications/Pages/aid-investment-plan-aip-indonesia-2015-16-to-2018-19.aspx>)

Commonwealth of Australia, DFAT, *Indonesia Australia Infrastructure Partnership, Kemitraan Indonesia Australia Untuk Infrastruktur (KIAT): Facility Design Document*, Third Draft – February 2017

Commonwealth of Australia, DFAT, *Strategy for Australia's aid investments in economic infrastructure*, June 2015

Commonwealth of Australia, DFAT – Office of Development Effectiveness, *Banking our aid: Australia's non-core funding to the Asian Development Bank and the World Bank*, September 2015

Commonwealth of Australia, DFAT – Office of Development Effectiveness, *Investing in Roads—Lessons from the Eastern Indonesia National Roads Improvement Project: Completion Evaluation*, March 2017

Republic of Indonesia, Ministry of National Development Planning/ National Development Planning Agency, *List of Medium-Term Planned External Loans 2015-2019 2017 Revision* (The Blue Book), 2017, KEP.91/M.PPN/HK/08/2017.

Republic of Indonesia, Ministry of National Development Planning/ National Development Planning Agency, *List of Planned Priority Loans 2017* (The Green Book), 2017, KEP.82/M.PPN/HK/07/2017.