

ASSESSMENT OF THE INDONESIA COUNTRY PROGRAM STRATEGY 2003–2006



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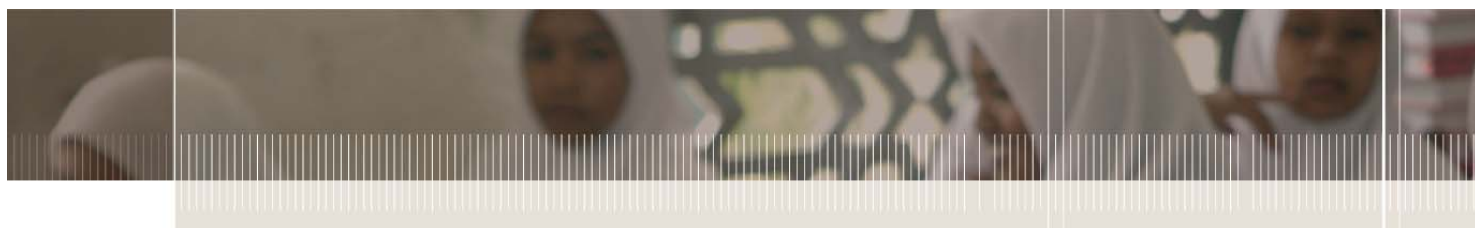


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AusAID

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Executive summary

Background

This report, commissioned by the Office of Development Effectiveness, provides an assessment of the Australian aid program to Indonesia from 2003 to 2006. The assessment is based on the *Indonesia Country Program Strategy from 2003*, and the *Australia–Indonesia Partnership for Reconstruction and Development* (AIPRD), announced in January 2005. It takes account of official development assistance provided by AusAID and by other Australian Government agencies.

The review covers a period of significant change and unforeseen events that had impacts both on Indonesia's development performance and on Australia's aid management. During the review period, Indonesia experienced a change of government, underwent a major decentralisation process, and suffered substantial damage and loss of life through the 2004 Boxing Day tsunami and a series of earthquakes and bombings.

After the tsunami, the Australian Government decided to increase the aid program by \$1 billion over five years, with half to be delivered through a new soft loan program. This was an unprecedented challenge for Australia's aid management, and also came at a time when the Bali bombings and the attack outside the Australian Embassy significantly affected the operating environment for AusAID's in-country management.

By any standard, the response of the Australian aid program, in the face of these events and of AusAID and other government agencies in Indonesia in managing through this tumultuous period was outstanding. The following performance assessment must be seen in this light; it is being undertaken to draw out lessons and recommendations for the new Indonesia country strategy, which is currently under development.

Program performance – initiative level

Most individual initiatives were rated as achieving their objectives, based on documented reviews and assessments, supplemented by meetings with government, stakeholders and Australian staff in Canberra and Indonesia. Initiatives exceeded expectations in some areas, including land mapping and housing quality assistance in the Aceh tsunami response, rapid development of new education and roads infrastructure programs, disaster preparedness work with broad-based civil society organisations, tax administration, and water and sanitation policy development.

Initiatives that have not been able to achieve their objectives fully include Australia – Nusa Tenggara Assistance for Regional Autonomy and the disaster preparedness activity of Emergency Management Australia. Achievement of objectives is only partial in Islamic education, legal reform, scholarships, and institutional aspects of health and education assistance.

Program performance – strategy level

The assessment of strategy achievements was more challenging. The very large increase in the aid program in 2005 was largely consistent with the pillars of the earlier 2003 strategy, but also introduced major new initiatives and approaches. A performance framework with revised indicators for this combined program was not completed.

Based on assumptions of intent, the review found that Australian assistance substantially achieved, or is on track to achieve, its strategy objectives in three areas:

- > economic management and growth
- > institutions of democracy

> security and stability.

It partly achieved its objectives in the fourth strategic objective: improved service delivery.

Achievements against a key overarching goal of the strategy – building stronger partnerships between Australia and Indonesia – exceeded expectations. This was particularly the case where Australian agencies invested consistent time and resources in the partnership.

Program implementation

Australia has taken a much stronger donor leadership role during the review period, for example in health, education, eastern Indonesia, elections, and engaging with mainstream Islamic organisations. Australia substantially increased its policy engagement with government, while also strongly harmonising with donors and other stakeholders. AusAID staff performed well in adapting to this important policy role, but this area needs to be strengthened substantially in future to meet aid program objectives. The requirements for additional time, skills and training need to be recognised in program resourcing and linked to clear outcome targets.

There has been a large advance in the quality of **partnerships between Australian and Indonesian government agencies**. Australian officials working with Indonesian line departments in economic governance areas were seen as trusted advisers who supported government reform agendas and in some cases built significant capacity in partner agencies. Nevertheless, the new ‘whole of government’ approach lacked full coherence and delivered mixed performance in capacity building. This was linked to the varying abilities of Australian departments and agencies to deliver international development assistance.

Grant resources, flexible and responsive financing, and access to high-level Australian Government advisers provided special opportunities for Australia to contribute to policy directions and engage in high-level policy dialogue. Other important strengths are a deep knowledge of Indonesia and familiarity with government processes. This needs to be supported by improved capacity-building and monitoring arrangements, and effective use of aid resources to leverage the contributions of Australian Government participants.

AusAID has explored a number of **aid delivery mechanisms** in the Indonesia program. Alternative contracting approaches contributed to speed and flexibility in some cases, but there were delays in others, perhaps partly due to the design approach and weaknesses in contract remedies. This review recommends that aid implementation through international partner organisations be increased to make the best use of available skills and resources and reduce transaction costs to government, while strengthening Australia’s contributions and relationships at the policy level. AusAID is cautiously moving towards the use of government systems for aid implementation, with close monitoring of risks related to corruption and slow implementation.

Some initiatives do not have the indicators necessary to inform higher level initiative and strategy assessments. Examples include scholarships, training, agricultural research, private enterprise development, and some capacity-building initiatives, including capacity building by some other Australian Government agencies. Some of these are already working on improved performance assessment.

The review team found that formal monitoring systems for **implementation quality** were weak. This creates risks of failing to catch quality problems or of delays in response, and makes it difficult to provide an overview of quality to senior management, other government partners and external stakeholders. However, field visits and meetings revealed generally effective attention to quality in AusAID initiatives in Indonesia, with many examples in which the design, focus and alignment of initiatives was substantially strengthened to ensure successful and sustainable outcomes.

AusAID is drafting an **anti-corruption** plan for Australia’s aid program in Indonesia, with a new staff position on anti-corruption and specific action plans for Aceh and two new loan programs. The recently approved loan for school buildings places particular emphasis on well-tested

community implementation and monitoring arrangements. The road sector presents larger challenges, which are being addressed through actions to improve transparency, monitoring and independent checks.

The review noted a need for improved **institutional support for AusAID staff** in professional development and information, communication and human resources systems; clarity on roles and responsibilities between Post and Canberra; and the full utilisation of the capabilities of local staff in response to changing business needs. These issues apply across the agency, and are being addressed in current AusAID corporate reforms.

Lessons and recommendations

The review recommends that the new country strategy build on the strengths of its predecessor, particularly in its whole-of-government approach, its flexibility and pragmatism, and its emerging leadership role in policy dialogue and donor harmonisation. As the program is scaled up, there is an opportunity to achieve significantly improved results if these changes are implemented.

Going forward it will be important that the new country strategy:

- > defines more realistic strategy objectives and builds performance information systems to inform decision making
- > tightens the number of aid initiatives, and the number of engagements and partner organisations targeted by some initiatives, to allow greater focus on depth and quality of engagement
- > provides greater coherence to Australia's whole-of-government effort
- > aligns country strategy objectives more closely to the Indonesian Government's Medium Term Development Plan, and accelerates the strategic use of other donors in the delivery of the program
- > seizes the opportunity to play a leadership role in policy dialogue with the government and in harmonisation with other donors by investing in the technical, policy and negotiation skills of AusAID officers.

1: Introduction and background

1.1 Objectives

The White Paper on Australia's overseas aid program devotes a chapter to strengthening the effectiveness of Australia's aid. The first recommendation is to upgrade the country strategy to give greater prominence to performance outcomes and provide a single framework for whole of government development efforts'.¹ In future, country strategies will include all official development assistance (ODA) eligible activities, including those delivered by other Australian Government departments and agencies, and provide a more rigorous performance framework. This report, commissioned by the Office of Development Effectiveness, will help to provide a better basis for managing for results and assessing the impact of aid efforts.

The Australian aid program in Indonesia has grown rapidly, with a program volume now five times larger than in 2003. Australia's role among international development partners has also changed: from being the fifth largest donor in 2003, Australia will become one of the top two bilateral donors in coming years.

This review takes stock of the aid experience over the past three years and identifies lessons that can help to guide the preparation of the new country strategy for Indonesia. This includes an assessment of:

1. achievement of the stated objectives of the country strategy, and ability to monitor and manage outcomes, both at the level of the country strategy and the level of the underlying programs and initiatives, and
2. experience in the delivery of the Australian aid program in Indonesia, including approaches to forms of aid, partnerships and whole-of-government issues identified in the White Paper.

At the review's inception, it was decided that it would not cover the management or cost-effectiveness of the aid program, or decisions related to the establishment of the Australia–Indonesia Partnership for Reconstruction and Development (AIPRD). These would have required more time and resources, and are partly covered by other reviews.²

This evaluation covers a volatile period, during which the Australian aid program in Indonesia had to respond to the effects of the tsunami in Aceh, earthquakes in Nias and Yogyakarta, and the bombing of the Australian Embassy. The response included programming an additional billion dollars in aid funding and developing a loan program where none previously existed. The program benefited from strong commitment to reform in some areas of the new Indonesian Government, and from increased donor emphasis on development partnerships and harmonisation.

1.2 Indonesia country strategy

The 2003 Indonesia country program strategy identified four objectives, with defined outcome targets and indicators. Following the Indian Ocean tsunami and other events, this was supplemented by AIPRD, announced in January 2005, which provided for a parallel but separate aid program with different procedures for selection, monitoring and management. The major

¹ AusAID, *Australian aid: Promoting growth and stability. A White Paper on the Australian Government's overseas aid program*, April 2006, p. 58.

² For example, Australian National Audit Office, *Arrangements to manage and account for aid funds provided under the Australia–Indonesia Partnership for Reconstruction and Development*, ANAO Audit Report 50, 2006.

areas of activity were broadly stated, and the AIPRD partnership agreement provides the following updated set of objectives for the whole Australian aid program in Indonesia:

1. Increase and sustain economic growth by strengthening economic and financial management, developing human resources and financing essential public infrastructure.
2. Help build the institutions of democracy, particularly through Australia–Indonesia partnerships.
3. Promote stability and security while building national emergency management and response capacity.
4. Improve the quality and accessibility of government service delivery, particularly in the poorest and most remote provinces.

Compared to the 2003 strategy, the updated objectives placed additional focus on partnerships, disaster response and infrastructure, but did not revise or expand the underlying outcome indicators. This strategy review is based on the updated objectives.

1.3 Developments in Indonesia, 2003 to 2006

The review period saw significant changes in Indonesia's political and economic landscape. The overarching themes were recovery from the East Asian economic crisis of 1997 and continuation of the democratisation process begun in 1999.

Before the economic crisis, 17 per cent of Indonesia's households were classified as poor. This proportion doubled during the crisis, reaching a peak in 1999 but declining to around pre-crisis levels in 2005. However, the proportion increased slightly to 18 per cent in 2006, probably because of soaring rice prices linked to the Indonesian Government's refusal to allow rice imports. Since 2000, economic growth has averaged 4.7 per cent per year, significantly less than the average of 7.4 per cent to 1997.³ Recent growth performance has been more positive: GDP growth reached 6 per cent in 2005, slowed slightly in 2006, but was forecast to reach or exceed 6 per cent in 2007.

Reform prospects improved with the election to office of President Susilo Bambang Yudhoyono in October 2004. In 2005, the government more than doubled domestic oil prices – a politically difficult decision but essential to ensure fiscal stability. President Yudhoyono's administration has also moved to tackle a number of other difficult issues, including tax and customs administration, regulatory and labour reform, and corruption. However, much remains to be done, and some argue that reform rhetoric has outpaced reform action, in part due to the 'rainbow' coalition government. Investment levels are low, and Indonesia performs poorly on indicators of international competitiveness.⁴

The post-1997 processes of democratisation and decentralisation have continued apace. The 2004 presidential elections were the first in which the president was directly elected, and direct elections have also been held at the provincial level. In general, however, weak governance is considered to remain a major impediment to faster growth.

There are also some signs that Indonesia's tradition of moderate Islam is under threat from extremists. Although the national government remains strongly committed to secularism, some regional governments have promulgated traditional shari'a laws, and in 2005 the influential Council of Islamic Scholars pronounced that secularism, pluralism and liberalism were irreconcilable with Islam.

³ Ron Duncan and Ross McLeod, 'The state and the market in democratic Indonesia', paper delivered to the Indonesia Update conference, Australian National University, October 2006.

⁴ See IMD, *World Competitiveness Yearbook 2007*, which ranks Indonesia 54th out of 55 countries on their ability to create and maintain an environment that sustains the competitiveness of enterprises.

The period from 2003 to 2006 was also marked by a number of disasters. The tsunami of December 2004 devastated Aceh, leaving 168 000 people dead, 500 000 homeless, 60 000 farmers displaced, and 100 000 small business people without livelihoods. This was followed in 2006 by an earthquake in central Java, another tsunami in western Java and a mud volcano in eastern Java.

Finally, Indonesia–Australia relations deepened considerably over the review period. The \$1 billion AIPRD forged in the aftermath of the 2004 tsunami was clearly a milestone in the bilateral relationship. In November 2006, the two countries signed a new security treaty.

2. Performance assessment

By any standard, the response of the Australian aid program, in the face of events since 2003, and of AusAID and other government agencies in Indonesia in managing through this tumultuous period, was outstanding. The following performance assessment, which aims to draw out lessons and recommendations for the future Indonesia country strategy, must be seen in this light.

2.1 Evaluation process / methodology

The performance assessment was undertaken in two parallel parts. An *initiative performance assessment* was made of all significant AusAID bilateral and regional Indonesia program initiatives, and of initiatives implemented by other Australian Government departments in Indonesia classified as ODA.⁵ At the same time, a *strategy performance assessment* was undertaken, rating performance against the strategy objectives. This was informed by the initiative-level assessments and examined the extent to which the original and revised strategy objectives were met.

The assessment methodology and rating criteria for both parts are described in Attachment 1.

2.2 Initiative performance assessment

To permit effective rating and review, program initiatives were organised into 39 program clusters under the 4 strategy objectives and 12 focus areas. The assessment is summarised in Table 1 and presented in Attachment 2.

Assessment of the achievement of initiative-level objectives was initially based on documented reviews and assessments of sector experts. On this basis, a tentative rating for each of the program clusters was given on a scale where expectations were (a) exceeded, (b) substantially achieved, (c) partly achieved or (d) not achieved, as defined in Attachment 1. Tentative ratings were tested and amended through focus group discussions with AusAID teams, government partners, donors, contractors and other stakeholders and informed groups.

Table 1. Assessment of program clusters (see Attachment 2 for details)

Strategy objective	Focus area	Program cluster	Assessment
Economic management and growth	Management	1. Technical assistance and partnerships	Exceeded expectations
		2. West Papua public expenditure	<i>Too early to assess</i>
	Production	3. Smallholder agribusiness development	<i>Too early to assess</i>
		4. Enterprise development	<i>Substantially achieved</i>
		5. Agricultural research	Substantially achieved
		6. Aceh livelihood restoration	<i>Too early to assess</i>
	Infrastructure	7. East Indonesia roads	Exceeded expectations
		8. Aceh infrastructure	Substantially achieved
		9. Aceh infrastructure quality support	Exceeded expectations

⁵ Ongoing initiatives (as opposed to completed ones) were assessed against whether they were on track to achieve their objectives using the same rating scale.

Table 1. Assessment of program clusters (continued)

Strategy objective	Focus area	Program cluster	Assessment
Democracy	<i>Public administration</i>	10. Technical assistance and partnerships	Substantially achieved
		11. Public sector linkages	Substantially achieved
		12. Sectoral public administration strengthening	<i>Not separately assessed</i>
	<i>Civil society</i>	13. Civil society strengthening	Substantially achieved
		14. Aceh local support	Substantially achieved
		15. Engaging mainstream Islam	Exceeded expectations
		16. Social Monitoring Early Response Unit and ANU Indonesia Update	Substantially achieved
		17. Electoral assistance	Exceeded expectations
	<i>Rule of law</i>	18. Legal reform and development	Partly achieved
Security and stability	<i>Emergency and disaster response, reconstruction, prevention</i>	19. Tsunami emergency response	Substantially achieved
		20. Yogyakarta emergency response	Substantially achieved
		21. Other emergency responses	Substantially achieved
		22. Aceh and Nias reconstruction	Exceeded expectations
		23. Yogyakarta reconstruction	<i>Too early to assess</i>
		24. Bali Memorial Package	Substantially achieved
		25. Disaster preparedness	Partly achieved
	<i>Human security</i>	26. Peace building	Substantially achieved
		27. Avian influenza	Substantially achieved
		28. HIV/AIDS	Substantially achieved
Service delivery	<i>Counter-terrorism</i>	29. Counter-terrorism	Partly achieved
	<i>Health</i>	30. Maternal and child health program	Partly achieved
	<i>Education</i>	31. Eastern Indonesia education	Partly achieved
		32. Basic education	Exceeded expectations
		33. Islamic education	Partly achieved
		34. Scholarships	Partly achieved
		35. Specialised training	Partly achieved
	<i>Regional development</i>	36. Nusa Tenggara regional autonomy	Not achieved
		37. Water and sanitation	Exceeded expectations
		38. Environment	Substantially achieved
		39. Illegal fishing	<i>Too early to assess</i>

2.3 Strategy performance assessment

The review also attempted to assess strategy performance, as distinct from the various initiatives under the program. However, it faced two main constraints in this task:

- > *Lack of an up-to-date performance framework.* The review found that the program did not have an effective performance framework for evaluating the combined 2003 country strategy and 2005 AIPRD partnership agreement. While some work had been undertaken on this, it had not been finalised or endorsed by management and, therefore, was not used in this assessment. The performance framework of the 2003 strategy provided specific outcome indicators, but they were not revised to take account of the 2005 partnership agreement.
- > *Lack of specific objectives.* The wording of the higher level objectives in the 2003 strategy, and as revised in the AIPRD partnership agreement, was too broad and more a

description of general intent than a statement of measurable outcome targets. In addition, some of the original indicators were not sufficiently quantifiable and timebound, and some were clearly too ambitious relative to aid program interventions.

In response, the review team approached the task in two steps:

- > using the available 2003 strategy indicators to rate performance, even though these had not been revised to reflect the expansion of the program in 2005
- > then constructing a set of likely strategy objectives, based on assumptions about the underlying intentions of the two strategies and derived from the scope and focus of aid initiatives under each stated objective.

Performance against the 2003 indicators and the derived strategy objectives was qualitatively assessed using the same scale as for the program initiatives assessment (Attachment 1). Tentative ratings were proposed by the review team and tested and amended through focus group discussions with AusAID teams, government partners, donors, contractors and other stakeholders and informed groups (Attachment 1). Final conclusions were further tested through peer review with key government departments, AusAID senior advisers and the Office of Development Effectiveness. The summary results for the 2003 indicators are presented in Table 2, while performance under each of the derived objectives is discussed in the text that follows.

Findings from this part of the review must be tempered by its methodological constraints; overwhelmingly, the absence of specific strategy objectives and corresponding performance information created a major obstacle. The success ratings rely heavily both on the accuracy of the assumed intent of the objectives as well as on the informed views of key program staff, managers, partners and external observers.

Table 2. Summary of 2003 strategy indicator assessment

Strategy objective	2003 strategy indicator	Assessment
Economic management and growth	Increased taxation collection from large taxpayers	Substantially achieved, exceeds expectations
	Better government domestic bond management	Substantially achieved
	Better supervision of government-owned banking sector	Substantially achieved, although gains have been slower than expected
	Improved National Audit Office effectiveness	Partly achieved, with changed responsibilities of two national agencies. Substantial achievement expected after some delay
	Overall assessment: Substantially achieved	
Democracy	Improved capacity of election officials to undertake their duties	Not achieved, since focus successfully shifted to assisting civil society in monitoring elections
	Selected district governments have improved public and performance accountability	Not achieved, as stated indicator too ambitious, although some strengthening has been provided in specific areas
	Stronger civil society role in democratic processes	Substantially achieved within the areas of engagement, but this is an ambitious indicator and attribution is difficult
	Better performing judiciary	Not achieved, as stated indicator too

Strategy objective	2003 strategy indicator	Assessment
		ambitious, although some modest gains in specific areas
	Establishment of effective mechanisms to deal with allegations of human rights abuses	Not achieved, as stated indicator too ambitious, although some modest gains
	Overall assessment: Substantially achieved	
Security and stability	Stronger Indonesian Government capacity in counter-terrorism and related functions	Partly achieved, and further progress likely after some delays
	PPATK (Indonesian Financial Transaction Reports and Analysis Centre) able to undertake effective monitoring of transactions and prepare appropriate reports on suspicious transactions	Substantially achieved
	Better community capacity to resolve conflict peacefully	Substantially achieved
	Effective Australian emergency and humanitarian assistance	Substantially achieved
	Overall assessment: Substantially achieved	
Service delivery	Improved capacity in selected district governments to plan and implement basic services.	Partly achieved, as discussed in initiative assessment (Attachment 2)
	Increased international financial institutions support for basic education and health	Not yet achieved, but likely after some delay. AusAID did expand its involvement in and leverage of Asian Development Bank programs and the donor health forum, and an ADB loan is now being negotiated
	Improved health services in Bali	Substantially achieved through new facilities and provincial training
	Improved planning, management and delivery of basic education physical resources in selected districts	Substantially achieved
	Improved management of the teaching force	Not achieved to any substantial degree, although there were modest improvements in project areas during implementation. Stated goal too ambitious
	Community-based management structures for basic education piloted	Substantially achieved
	Improved vocational education and training agency capacity to provide programs based on workforce needs	Not achieved, as this activity and objective were dropped following a review early in the strategy period
	Overall assessment: Partly achieved	

Note: These assessments are based on the 2003 strategy outcome indicators, which were not updated to incorporate the broader strategy objectives and program initiatives of the 2005 AIPRD partnership agreement. Consideration of broader impacts is discussed in the text.

Strategy Objective One: Economic management and growth

Increase and sustain economic growth by strengthening economic and financial management, developing human resources and financing essential public infrastructure

Considering that Australia's total aid is less than 0.05 per cent of Indonesia's national economy, and taking note of the programmed initiatives in the two strategy documents, the review team interpreted the intent of this objective as:

to provide effective and strategic contributions in the areas identified, responding to government demand and reform readiness, and leveraging partnerships with other donors.

It was noted that economic management and growth have improved significantly during the review period. Australian assistance contributed to this progress in small but strategic ways, which seem appropriate and well targeted. Gains were also achieved in trade policy, revenue from sale of part of the frequency spectrum, and early progress towards sound infrastructure investments (Table 1). There were also improvements in tax collection, domestic bond management and banking regulation, and partial achievement in National Audit Office effectiveness (Table 2). Based on the assumed intent, this objective is rated as *substantially achieved*.

Strategy Objective Two: Democracy

Help build the institutions of democracy, particularly through Australia–Indonesia partnerships

Democratic institutions have become stronger and more effective during the review period. The review team assessed whether Australian assistance had been effective in:

contributing to key aspects of this process, through partnerships with government and non-government actors.

The program made substantial contributions in public administration, civil society strengthening, and engagement of civil society in election monitoring (Table 1). While performance against the 2003 indicators suggests that there were limited gains with election officials, the judiciary and human rights (Table 2), this reflects a deliberate shift to greater focus on civil society institutions, and unrealistically ambitious stated goals for the judiciary, district government and human rights initiatives. In review meetings, various stakeholder groups strongly appreciated the quality of partnerships built with government agencies, mainstream Islam and civil society institutions. Despite some gaps, the overall achievements of Australian assistance have been significant and in line with reasonable expectations. On this basis, the objective is rated as *substantially achieved*.

Strategy Objective Three: Security and stability

Promote stability and security while building national emergency management and response capacity

The review focused on the contributions that Australian assistance has made to this broadly stated objective over the review period. In a number of areas, this contribution has been substantial. While the 2003 strategy indicators lack quantitative targets, contributions to humanitarian assistance, peace building and anti-money-laundering initiatives were substantially achieved, and for counter-terrorism partly achieved, and likely to have significant impacts after further engagement (Table 2). The scale and impact of major disasters, security incidents and pandemics could not be anticipated in strategy formulation, and there were substantial additional contributions in those areas (see Table 1). In assessing the objective, therefore, account needs to be taken of the timely and effective responses to those unexpected events, in addition to assessments of Australia's contributions towards the 2003 objectives. On this basis, this objective is rated as *substantially achieved* over the review period.

Strategy Objective Four: Service delivery

Improve the quality and accessibility of government service delivery, particularly in the poorest and most remote provinces

Service delivery remains a huge challenge in Indonesia, especially with the shift to decentralised responsibilities. Australian assistance has actively supported that transition, with good local pilot programs and increasing engagement with national and regional policies and institutions. However, achievement of initiative-level objectives has been mixed (Table 1). In health and education, the review found that initiatives are largely achieving their original design goals, but desired outcomes need to mesh more closely with national and provincial institutions and policies. Of the seven indicators in Table 2, three are rated substantially achieved and one partly achieved. Three indicators were rated as not achieved, due to dropped engagement in vocational education, an over-ambitious stated goal for teacher management, and delayed implementation of Asian Development Bank loan programs. Significant progress has been made in strengthening this engagement, which should lead to broader impacts in future. The stated strategy objective is too broad and high-level to provide a meaningful basis to assess Australian assistance. However, even allowing for a more measured view of performance expectations for the period, this strategy objective is rated overall as *partly achieved*.

Other strategy assessment issues

The reduction of poverty is an overarching objective of the country strategy. This was addressed throughout the program through the focus on pro-poor growth, improved governance and service delivery in lagging regions, and empowerment of the poor and vulnerable through civil society, rule of law and emergency response initiatives. As noted in Section 1.3, Indonesia has made some progress in tackling poverty during the review period, but this remains an important challenge for the aid program in future.

The coexistence of two strategies over the period, with a need to rapidly program additional funds through separate approval and reporting mechanisms, inevitably produced some administrative complexity. The AIPRD Partnership Framework was developed to provide a single framework for both funding flows, and the aid program appears to be reasonably well aligned within the various themes of that framework, but the alignment between the country strategy and more than three hundred initiatives is less clear and harder to track.

Lack of alignment of initiative and strategy performance measures led to a missed opportunity to identify success properly and to have greater impact through increased selectivity. It also makes it difficult for this review to assess whether other forms of engagement could have contributed more effectively to strategy objectives. Nevertheless, the review found that the country program would benefit from a tightening of the number of aid initiatives, and the number of engagements and partner organisations targeted by some initiatives, to allow greater focus on depth and quality of engagement.

On the whole, Australia's aid program to Indonesia over the past three years has been broadly aligned with Indonesian Government priorities. The 2004 Medium Term Development Plan, which seems the most useful for comparison, nominates three goals for Indonesia over the five years from 2004:

- > Create a safe and peaceful Indonesia.
- > Establish justice and democracy for all citizens.
- > Create a prosperous Indonesia.

These are further subdivided into eleven subsidiary goals, with nine of which the Australian aid program is strongly aligned. Preparation of the new Australian country program strategy should include more conscious alignment with the Indonesian Government's Medium Term Development Plan and corresponding performance measures. This will include the identification

of areas in which Australia can make a strategic difference, based on a full analysis of what the Indonesian Government and other donors are doing.

3. Program implementation

As noted in Section 1, a specific objective of this assessment is to review experience in the delivery of the Australian aid program in Indonesia, including approaches to forms of aid, partnerships and whole-of-government issues identified in the White Paper. This section assesses lessons learned from the implementation of the aid program.

3.1 Partnerships

The review team noted a number of examples in which the *Indonesian Government partners* had strong ownership of a set of development priorities and saw Australian programs as helping them achieve their goals (e.g. national water and sanitation, provincial health, economic governance). This was seen as significant progress in AusAID's alignment with government priorities, consistent with White Paper principles. Contributions to national policy development were most evident in the area of economic governance.

Grant resources, flexible and responsive financing, and access to high-level Australian government advisers provided special opportunities for AusAID to contribute to policy directions and engage in high-level policy dialogue. Other important strengths are a deep knowledge of Indonesia and familiarity with government processes.

In many cases, the review also found that progress had been made in harmonising the development efforts of donors and lenders with those of government and each other, for example in the area of maternal and child health. Many stakeholders are strongly interested in further harmonisation, especially of shared strategies linking national policies and sub-national implementation.

Australia was seen as having greatly strengthened its role in *donor leadership and harmonisation*, and stakeholders well appreciated its role in chairing the donor working groups in health and education, and its leading role in coordinating development efforts in eastern Indonesia. However, effective contributions in this area require further skills, training and resources. AusAID is also working with the United Kingdom Department for International Development (DFID) on monitoring and evaluation of maternal and child health activities funded by DFID and AusAID and implemented by UNICEF and the German Technical Cooperation agency.⁶

Australia originally planned to join the Multi-Donor Trust Fund for reconstruction in Aceh, but decided not to after the establishment of the AIPRD. The separate governance arrangements created some tension with international development partners at the time, particularly over the parallel decision process on spending allocations, which reduced the scope for shared priorities. The decision not to pool funds was less problematic, and enabled some timely and flexible responses where government procedures were slow. AusAID provided staffing support to the Multi-Donor Trust Fund and worked very closely with other partners, including through construction support for non-government organisation (NGO) and donor building programs, timely resolution of land issues that would otherwise have delayed many larger works, and early support to the Aceh Reconstruction Authority.

A similar approach of separate but parallel funding allowed Australia to respond quickly and flexibly to the earthquake disaster in Yogyakarta, in close coordination with other partners. AusAID was able to establish effective partnerships with *civil society* organisations and NGOs, including mainstream Muslim organisations. This proved valuable for effective service delivery and for facilitating the response to the disaster.

⁶ Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH

3.2 Australian whole-of-government engagement in aid to Indonesia

Over the past few years, and especially following the 2005 AIPRD agreement, there has been a marked increase in the involvement of Australian Government departments and agencies in the aid program to Indonesia. Between 2003–04 and 2005–06, 21 different Australian Government entities undertook 165 different ODA activities with a total value of \$92 million, ranging from the very effective Jakarta Centre for Law Enforcement Cooperation, implemented by the Australian Federal Police, to small-scale study tours to Australia. These figures are for activities financed from within agencies' own budgets or through specific funding supplementation (e.g. for counter-terrorism capacity building), and are in addition to the participation of other government departments in the delivery of initiatives funded by AusAID.

The large number of initiatives may be misleading. For example, the Australian Centre for International Agricultural Research had the largest number of activities (81), but they are grouped under four broad programs in addition to two programs funded through AusAID. Other programs with many activities included programs of the Attorney-General's Department (including the Australian Federal Police, 17 activities), and the Department of Agriculture, Fisheries and Forestry (8 activities). The field review noted some ODA-related activities of Australian Government departments that were not captured in the official ODA list.

The impact of these myriad partnerships has been broadly very positive, and a number of observations and lessons can be drawn from Australia's whole-of-government aid engagement in Indonesia.

Indonesian and Australian government officials were mostly very positive about the greatly increased level of partnership and institutional linkages between counterpart agencies. Indonesian departments have an expectation that this level will be maintained in the long term, facilitate reform efforts, provide technical support to fix specific problems and issues as they crop up, and support continued mentoring.

There are numerous examples of Australian agencies having a direct impact on supporting Indonesian Government reform agendas and building capacity, such as Australian Tax Office input in the Indonesian Tax Office, Treasury support for debt management, and Australian Federal Police support for counter-terrorism and investigations. Indonesian agencies mostly like the flexibility of their Australian counterparts, their quick response times, the quality of the technical input and, most importantly, the pragmatic approach that supports Indonesia's own agendas and reform programs.

Australian Government agencies with a clear commitment to bringing significant contributions in terms of staff, technical support and ongoing capacity building are the ones that have the strongest and deepest partnerships with their counterparts. Delivering appropriate and high-quality technical support, with concrete impact on reform and the performance of Indonesian agencies, is essential for effective and sustained institutional linkages.

Some Australian agencies lack capacity to work overseas, given their other, domestic demands. Emergency Management Australia was unable to deliver government commitments after 18 months, although this is now being addressed. Agencies that have built up their engagement with Indonesian counterparts slowly (e.g. Treasury), or that have committed dedicated funding and staffing (e.g. Australian Federal Police) are gaining the most traction. Often, the problem is not money but internal capacity to deliver. Unfulfilled promises or substandard delivery damages relationships.

Australian whole-of-government consultations highlighted a widespread concern that, in sum, Australian ODA engagement was too broad and needed greater coherence. The high number of initiatives is seen as inefficient, and greater selectivity and coherence could enhance the effectiveness of individual agency and AusAID contributions by reducing management costs per dollar of support delivered.

Some agencies also raised concerns about the ‘red tape’ involved in working with AusAID. This highlighted a need for more discussion among whole-of-government partners about appropriate controls and monitoring arrangements.

In some instances, Australian agencies have focused on providing equipment, such as computers and other information technology (IT) systems, as a way to strengthen partnerships, but without considering the sustainability of the assistance. Equipment alone rarely enhances capacity, and its provision is sometimes inappropriate. If the equipment is unused or broken after a couple of years, the perception of the counterpart agency (and others) is likely to be negative.

Australian agencies take widely varied approaches to monitoring the effectiveness of their overseas aid assistance. Assessment of performance and the impact of their engagement and interventions is sometimes based on anecdotal evidence. This needs to be tightened up for better accountability and to improve effectiveness by fully capturing achievements and lessons.

In the longer term, success will be measured by how much these relationships achieve concrete development outcomes across all areas of engagement. A key factor for success will be the capacity and commitment of Australian Government partners, and the political will and readiness of their Indonesian counterparts.

3.3 Implementation mechanisms

During the review period, the Australian aid program in Indonesia piloted and used a variety of aid implementation mechanisms. Many were adopted to permit faster responses, more flexibility, stronger partnerships, and increased engagement of AusAID and other Australian agencies in capacity building and policy dialogue. The general direction of these innovations is also consistent with the themes of the April 2006 White Paper on Australian aid. This review provides an opportunity to assess experience with various mechanisms.

The conventional ‘managing contractor’ model used by AusAID was reported to be partly responsible for problems and delayed problem-solving in some older projects. Only a relatively small number of aid activities in Indonesia continue to use this contracting model. While this model and its use were not reviewed in detail, it appears that it could be used more effectively with increased clarity of objectives and AusAID policy involvement, as discussed for other mechanisms below.

Innovative contracting models with independent AusAID Directors and separate service delivery contracts seem to have worked well in the Yogyakarta reconstruction. However, results were less positive in the Australia – Nusa Tenggara Assistance for Regional Autonomy (ANTARA) and Learning Assistance Program for Islamic Schools initiatives, and the flexible contracts sometimes had less effective provisions for resolving contract difficulties. From the cases discussed, it appears that effective use of this approach would require clear identification of objectives and expected outcomes, and of the intended roles of AusAID, advisers, contractors and implementing partners.

‘Rolling design’ or ‘design–implement’ arrangements were used in some initiatives to enable flexible and timely contracting of resources, including in Aceh. These also worked best when objectives, roles and expected outcomes were clearly stated.

‘Technical assistance facilities’ are successful platforms for policy engagement and timely response in some key areas, provided the desired flexibility is matched with clear controls. While this approach could entail a risk of losing focus through too much flexibility, the review found strong controls for the Technical Assistance Management Facility (TAMF) and Government Partnerships Fund (GPF) initiatives, but less focused controls for the Indonesia–Australia Short-Term Training Program, which has many features in common with ‘facilities’. The scoping process of the TAMF and GPF allowed easy start-up of new engagements and helped to ensure an appropriate focus for subsequent activities. The GPF appeared to have an in-built quality control filter, as government officials were reluctant to spend time on unproductive initiatives

and looked for alternative approaches with higher impact. Australian Government participants in the GPF appreciated the availability of additional technical assistance and capacity-building resources under the TAMF, which helped to maximise impact and make best use of limited government staff inputs.

The different contracting approaches led to different overhead costs, and different allocation of some oversight costs between AusAID and contractors. This was not assessed. A common feature was a need for specialist technical advisers available to AusAID, to enable high-level engagement on sector, policy and institutional issues.

The loan procedures adopted for education and roads initiatives were developed quickly, building largely on established World Bank procedures. As with other programs of this type, substantial risks remain of potential problems with procurement, corruption, land acquisition and slow disbursements.

In Aceh, to speed implementation, assistance was provided through Indonesian Government systems and using local contractors wherever possible, strengthening local ownership and support. However, this was constrained by the slowness of government systems and the capacity of local contractors.

The control mechanism of the AIPRD has effectively ensured key Australian Government agencies' strong shared ownership of the program, early commitment to concepts and strong management attention to implementation.

AusAID has been cautious in financing programs managed by other development agencies in Indonesia. Funding through the Water and Sanitation Program has effectively combined AusAID policy engagement with World Bank execution. AusAID has been a relatively silent partner in the International Finance Corporation technical assistance programs, although this is likely to change under the Smallholder Agribusiness Development Initiative. AusAID contributions to the Multi-Donor Support Office in eastern Indonesia and proposed engagement with the Decentralization Support Fund and Joint Donor Program in Papua are likely to include strong strategic engagement. The review found that there is scope for expanding this mode of implementation, to share the workload and skill base with other partners and to improve overall operational delivery during the rapid expansion of the aid program in Indonesia.

3.4 Geographical focus

The planned focus on eastern Indonesia has been achieved, with a greater proportion of funds now flowing to that region. AusAID has been at the forefront of a coordinated donor approach in eastern Indonesia, with an AusAID-supported joint donor office in Makassar. AusAID is also supporting the Decentralization Support Fund, a multi-donor facility that aims to harmonise the way the international donor community supports Indonesian-led decentralisation, especially in eastern Indonesia.

The program has also seen increased focus on policy and institutional issues at the national level, and on themes and activities with different geographical requirements, such as disaster response, avian influenza and HIV/AIDS interventions in Aceh, Java and West Papua. Looking forward, it seems clear that the aid program will need to include provincial and national interventions, and that provincial engagements will need to be selective.

3.5 Monitoring and quality management

The review team found that AusAID did not have readily available, comprehensive information on initiatives, allocations and disbursements for the whole Australian program in Indonesia. Different sources provided different information, and did not generally separate major engagements from small preparatory, review or scoping tasks. Initiative titles and budgets in

some areas were disaggregated to a large number of separate engagements, while some others did not provide information on substantial subcomponents with different implementing partners.

Over the review period, AusAID used the 'simplified monitoring toolbox' to report on the quality of implemented initiatives. For the budget year 2005–06, all initiatives were rated 'satisfactory overall' or better, while one-fifth had less than satisfactory component ratings on achievements and/or sustainability. Most ratings showed steady improvement over the three years. 'Achievement of objectives' rose from 85 per cent to 97 per cent, and 'Sustainability' rose from a lower base of 77 per cent to 83 per cent. Interestingly, 'Appropriateness of design' declined during the same period, from 96 per cent to 87 per cent 'satisfactory overall' or higher.

The review team found that quality monitoring in Indonesia was generally based on contract-level monitoring, while management oversight appeared to be informal and not based on systematic quality monitoring. There was evidence of considerable attention to the quality of AusAID initiatives, including examples of substantial strengthening of the design, focus and alignment of initiatives to ensure successful and sustainable outcomes. Expert teams and external reviews were used effectively in this process. Where this review identified quality issues, management was aware of the problems and they were being addressed, although problems often appeared to be linked to design weaknesses and it was difficult to determine whether adjustments could have been made earlier. The weakness of formal quality monitoring, which is an AusAID-wide issue, creates risks that quality problems or delays will not be caught in reasonable time, and makes it very difficult to provide quality overview to senior management, other government partners and external stakeholders.

While most initiatives had monitoring and evaluation frameworks, it was not clear how effective these were in informing higher level assessments of project achievements or their contribution to strategy objectives.

These shortcomings have been recognised, and a new performance assessment framework, including a new quality reporting system for initiatives, is currently under trial for implementation by July 2007.

3.6 Gender

The review found that gender equality has been integrated into the design and monitoring of most initiatives. The aid program has achieved satisfactory results in incorporating gender in service delivery initiatives, but has generally achieved weaker results in economic management and growth, democracy, and security and stability initiatives, thereby reducing the overall development effectiveness of the assistance at a country level. The aid program's support of the Decentralization Support Fund has the potential to advance gender equality through its links to participatory policy-making (especially in local budgets) and by bringing basic service delivery closer to women and men. Further gender integration will have to take into account considerable variation among provinces and districts in their capacity to implement decentralised responsibilities.

The review found that gender issues were rarely seen as high-profile matters needing strategic attention, except in water supply and sanitation initiatives, Islamic education initiatives, and the community programs in Aceh and eastern Indonesia, which include a strong gender focus.

3.7 Anti-corruption

Some aspects of corruption are being addressed under the governance technical assistance programs, and AusAID is currently drafting an overall anti-corruption plan for Australia's aid program in Indonesia. Specific anti-corruption plans have been developed for the two new loan programs. The recently approved loan for school buildings places particular emphasis on community implementation and monitoring, using techniques well tested in other community-

based programs implemented by various donors. The road sector presents larger challenges, which are being addressed through a broad set of actions to improve transparency, monitoring and independent checks. AusAID is currently working closely with the World Bank to leverage strong government commitment to this approach.

3.8 Institutional support for program delivery

The aid program to Indonesia has grown rapidly over the past three years and has been implemented in a difficult context of natural disasters, bombings and security pressures. It has been necessary to increase rapidly the number of staff, many of whom are relatively young and inexperienced in development work. In some ways, the expanded Indonesia program is a useful model for the challenges faced by AusAID in meeting the Australian Government's commitment to double Australian aid spending by 2010. The following observations may have broader resonance for AusAID's corporate reform agenda:

- > The changing aid environment has required AusAID staff to manage larger programs with higher level policy dialogue and donor relationships. This requires substantial investment in professional development of negotiating skills, policy dialogue, public sector reform and sector strategy development. In the context of changing aid modalities, this needs to be supplemented by updated training in country and sector skills, and contract and personnel management.
- > AusAID systems (financial, IT, human resources, corporate information, communications and contracting) have struggled to support the rapid growth in the Indonesia program, and significant extra time and effort have been required at Post and in Canberra to compensate for this. Recent improvements in the IT infrastructure have had a huge impact on the efficiency of the team in Jakarta, as has the new Kebon Sirih office.
- > At times, a lack of clarity about the respective roles and responsibilities of Post and Canberra has led to duplicated effort and unnecessary complexity.
- > The number of locally engaged Indonesian staff working for AusAID has increased significantly as the program has grown. There is potential to make better use of local staff skills, experience, continuity and country knowledge by redefining responsibilities and accountabilities where appropriate.
- > Establishing a contracts function in Jakarta was considered very effective in strengthening capacity and ensuring timely responses for a large program.

4. Lessons and recommendations

Lessons

1. Significant initiative performance assessment systems must be aligned with those of the country or regional strategy. If this is not done, as was the case in Indonesia, it is difficult for strategy managers to determine whether and how initiatives are contributing to overall strategy objectives. It also means that managers cannot increase program impact by reallocating resources between initiatives. (page 9)
2. No doubt, the lack of consistency between initiative-level and strategy-level performance assessment systems contributes to the proliferation of aid activities. Where managers cannot determine how much initiatives contribute to overall strategies, there is little opportunity to streamline the program by closing marginal or ineffective initiatives. Program managers in Indonesia would be in a better position to reduce and focus over 300 different current activities and partnerships if they had information on the initiatives' relative contributions to overall program objectives. (page 9)
3. Australian aid is most effective when it is focused on those areas for which the Indonesian Government shows strong ownership, and when the Indonesian Government can clearly see how Australian support will assist in meeting national objectives. (page 12)
4. Australia's ability to strengthen cross-donor harmonisation depends on the quality of the sector-specific skills (including in areas such as maternal and child health) it is able to deploy. (page 12)
5. The main factors contributing to Australia's capacity to influence and support policy change in Indonesia are its access to grant-based finance; the flexibility of its financing; its access to high-quality, senior Australian Government advisers; its deep knowledge of Indonesia and Indonesian cultural and political contexts; and its familiarity with Indonesian Government processes. (page 12)
6. Australia's ability to remain flexible and responsive has been consolidated by its pragmatic engagement in multi-donor funding arrangements when responding to natural disasters. The key to this approach has been Australia's willingness to work in close coordination with other donor and Indonesian Government partners. (page 13)
7. Investments in building relationships with civil society organisations have contributed to the aid program's capacity to improve the quality of service delivery and respond to natural emergencies. (page 13)
8. The Australian Government agencies best able to establish lasting, quality relationships are those that invest in the provision of high-grade staff, technical support and capacity building. Conversely, relationships can be seriously damaged when commitments are not met and substandard support is provided. In particular, the imprudent provision of equipment – particularly IT equipment – without a balancing focus on maintenance and sustainability can undermine relationships. (page 14)
9. A lack of clarity about the respective roles of Canberra and the Post in Indonesia has led to duplication of effort and unnecessary complexity. (page 16)

Recommendations

1. There should be a more deliberate alignment between the Indonesian Government's Medium Term Development Plan and Australia's new country strategy, including the use of the development plan's performance assessment modalities. (page 9)
2. Australia's whole-of-government response in Indonesia has been strong, but now requires greater coherence. This should involve early, and then periodic, high-level meetings among senior representatives from the key agencies to agree on, and then review, a coherent overall strategy. The Indonesian program should investigate opportunities to convene such meetings in the development of a new country strategy and during the strategy's implementation. (pages 13-14)
3. Some agencies have taken issue with AusAID's processes, saying they feature too much red tape. The Office of Development Effectiveness will be conducting a review of this issue in late 2007. Its conclusions should inform improvements to the Indonesian program. (page 14)
4. At the same time, there is a wide range of different approaches to monitoring performance, with several agencies relying on ad hoc and anecdotal systems. This prevents managers from redirecting resources to the most effective initiatives and threatens overinvestment in ineffective ones. AusAID should take the lead with the key national agencies delivering Australia's aid program in Indonesia to improve the consistency and quality of performance monitoring across agencies. (pages 13-14)
5. There appears to be an underinvestment in modes of delivery that channel funding through other donors' systems. The new country strategy should consider opportunities to develop stronger links and to channel resources through other donor programs, particularly in the rapid expansion phase likely over the next few years. (pages 14-15)
6. If AusAID is to play a more significant role in influencing policy and in encouraging harmonisation among the donor community, it needs to invest more systematically in professional development, particularly of negotiating skills and technical expertise. This should include overseas-based staff, who in Indonesia form a significant pool of talent and potential for the program. (pages 12, 17)

Attachment 1: AusAID management response

AusAID management welcomes this report, *Assessment of the Indonesia Country Program Strategy 2003-2006*, from the Office of Development Effectiveness (ODE). The report provides a fair and reasonable overall assessment of the Indonesia country program strategy. The Agency broadly agrees with the independent assessment's positive conclusion that, despite a period of immense change and upheaval in Indonesia, the program achieved, or is on track to achieve, three of its strategy objectives, and partly achieved its fourth objective. Further, AusAID welcomes the assessment's recognition that the program responded exceptionally well to the challenges it faced.

The report expresses concern that the broad spread of activities undertaken by AusAID and other Australian Government agencies makes it difficult to fully assess their impact. For the most part, we agree with this assessment and are addressing this concern in consultation with other Australian and Indonesian agencies in the development of the *Indonesia Country Program Strategy 2008-2013*. The new strategy will reduce the spread of activities and bring greater coherence to the governance and service delivery programs and our national and subnational programs. However, there will continue to be limits on how far we can reduce the spread across and within sector areas. We will need to balance the concern about spread against the need to maintain a strong and effective development partnership with Indonesia. The partnership needs to be flexible and responsive to ensure that the program continues to be led by the Government of Indonesia to achieve effective development outcomes.

The broad Australian engagement in Indonesia, with its many activities, flows from a very significant expansionary phase in the program since the announcement in 2005 of the \$1 billion Australia-Indonesia Partnership for Reconstruction and Development (AIPRD). Following this expansion, there will be some contraction in the number of initiatives in some sectors. The program will focus on those areas of greatest success and strategic importance.

The executive summary of the assessment identified key lessons and recommendations that AusAID recognises are important to incorporate into the new country strategy.

No. 1 – Define more realistic strategy objectives and build performance information systems to inform decision making.

AusAID response: agreed

The new country strategy will identify clear and realistic strategic objectives. Through its accompanying performance assessment framework, it will provide stronger performance monitoring and information systems. The Indonesia program has already made progress in strengthening the links between initiatives and high-level objectives, by developing a draft performance assessment framework, which has been road-tested through annual program performance updates. The framework has also helped to clarify issues mentioned in the ODE assessment and how they can best be addressed in the new country strategy.

Weaknesses in monitoring and evaluation will be addressed across the program by:

- > building staff capacity through intervention by the Indonesia Branch's quality and impact team
- > reorganising staff roles and work priorities to ensure that sufficient time and resources are focused on strategic level monitoring and impact.

New corporate processes will improve the monitoring and evaluation information that will feed into the program's annual program performance updates to inform decision making.

No. 2 – Tighten the number of aid initiatives, and the number of engagements and partner organisations targeted by some initiatives, to allow greater focus on depth and quality of engagement.

AusAID response: partially agreed

AusAID agrees in principle, and this reduction has already begun in the governance and education sectors. However, the tightening process should take into account the need to maintain a responsive development partnership, which may result in some additional initiatives or changes in the scope of engagement in

certain sectors. To support Indonesian-led reform, the Indonesia program needs to retain the flexibility to respond rapidly to Indonesia's requests for assistance.

There are already very clear arrangements for maintaining a whole-of-government perspective and integration of AusAID efforts in Indonesia. The AIPRD Secretaries' Committee recommends program initiatives to ministers from Indonesia and Australia. The committee comprises the secretaries of four Australian Government central agencies and the Director-General of AusAID. In addition, a Development Effectiveness Steering Committee of deputy secretaries oversees major new policy proposals and country strategies.

With the development of the new country strategy, we have the opportunity to tighten our focus within sectors, in consultation with the Government of Indonesia and Australian whole-of-government partners. The tighter focus will be balanced with potential new areas of assistance under White Paper initiatives.

No. 3 – Provide greater coherence to Australia's whole-of-government effort.

AusAID response: agreed

Although AusAID agrees with the recommendation for greater coherence in Australia's whole-of-government effort, some key points should be noted. Australia has a large and very active whole-of-government engagement with Indonesia. That engagement is a key component of Australia's development contribution, facilitating the transfer of skills and experience to a wide range of Indonesian agencies. Although there are a number of these small activities across the program, requests were led by the Government of Indonesia and the combined effort was well within the scope of appropriate strategic engagement with Indonesia.

AusAID will provide greater coherence by clarifying key whole-of-government objectives. For example, in the area of governance, the country strategy will seek to address cohesion and clarity across Australian Government activity. AusAID will implement the strategy in collaboration with other Australian agencies, in Canberra and in-country, to ensure engagement with all relevant Australian agencies. After the Government Partnership program review later this year, we expect to refine the program's objectives in partnership with Indonesian counterparts.

The Development Effectiveness Steering Committee provides senior whole-of-government oversight to ensure that Australian Government efforts are adequately aligned with the new country strategy and coherently integrated. The high-level role of ODE should also help to improve the consistency of reporting across Australian agencies and result in improved reporting of development impact.

No. 4 – Align country strategy objectives more closely to the Indonesian Government's Medium Term Development Plan, and accelerate the strategic use of other donors in the delivery of the program.

AusAID response: agreed

The new country strategy will be closely aligned with Indonesian Government's Medium Term Development Plan and will be framed under the three key pillars of the plan: a safe and peaceful Indonesia; establishing justice and democracy for all citizens; and creating a prosperous Indonesia. The program is investigating opportunities to use other donors strategically for program delivery, and does so where appropriate.

Strategic use of other donors will be balanced by ongoing program commitments and our ability to accelerate co-funding or other modalities.

No. 5 – Seize the opportunity to play a leadership role in policy dialogue with the government and in harmonisation with other donors by investing in the technical, policy and negotiation skills of AusAID officers.

Indonesia program response: agreed

AusAID staff have pursued an increased policy role, and Australia already plays a leadership role in policy dialogue on water and sanitation matters and HIV/AIDS in Indonesia. AusAID is well placed to assume a greater leadership role in policy dialogue and harmonisation in the health, education and economic governance sectors. More recently, AusAID has invested significant effort in forestry and climate change.

Future staff management decisions and resourcing will take into account the requirements for additional time, skills and training linked to policy dialogue in a wide-ranging and deepening aid relationship. AusAID is developing an Indonesian Group Transition plan to reorganise our Canberra and in-country resources. This will ensure that AusAID, and other agencies and departments, can deliver the program to meet the 2010 Blueprint and the new country strategy.

AusAID has already taken steps to ensure that officers have the appropriate knowledge and skills to engage on Indonesian development policy. These include:

- > improving selection processes for officers to be posted in Indonesia by placing a greater emphasis on key technical, policy and negotiation skills
- > establishing thematic networks to strengthen staff capacity and provide technical and sectoral resources to officers, including a pool of highly qualified advisers in key sectors
- > drawing on the knowledge, skills and technical capacity of officers from other Australian Government departments.

AusAID has also placed a counsellor in Jakarta to focus on financial and corporate management in a fully devolved program. This will allow other senior AusAID managers in Jakarta to concentrate on policy and harmonisation issues. The counsellor will also be a high-level resource who will ensure that all AusAID officers in Indonesia build and maintain appropriate skills and knowledge.

Attachment 2: Assessment methodology

The performance assessment was undertaken in two parallel parts, an *initiative performance assessment* and a *strategy performance assessment*. Both involved desk review of documentation to develop initial propositions, which were then tested and amended through three weeks of field work.

Review of documentation

The review carried out **initiative performance assessments** of all significant AusAID bilateral and regional Indonesia program initiatives, and activities in Indonesia classified as official development assistance and implemented by other Australian Government departments or agencies.⁷ For the purposes of this assessment, the Australian assistance initiatives in Indonesia were organised under 39 program clusters, which are presented under the four country strategy objectives, and 12 focus areas identified by the Indonesia team. Table 1 (page 4) summarises assessments for each of the program clusters, which are described in Attachment 2.

The primary source of these ratings is the completion reports, mid-term reviews and other assessments provided by experts in the subject areas (e.g. an impact study and an ex-post cluster evaluation), around 90 Simplified Monitoring Tool reports and other reports listed in Attachment 3. A tentative rating for each of the program clusters was given using the scale below. This highlighted areas for further investigation during the field work part of the review, which informed the design of semistructured interviews with focus groups. Tentative ratings were tested and amended through focus group discussions with AusAID teams, government partners, donors, contractors and other stakeholders and informed groups ('Field work', below, lists these discussions).

A lack of defined targets and timelines made it hard to assess performance for many initiatives. In such cases, the review team made a more subjective assessment of how achievements compared with expectations and whether, given country constraints, the initiative made the best use of available opportunities or could have done more.

At the same time, a **strategy performance assessment** rated performance against the strategy objectives. The desk aspect of this part of the review, informed by the initiative-level assessments, examined the extent to which the original and revised strategy objectives were met. This process also drew from the overall assessments reported in three recent reviews.⁸

Nevertheless, this part of the review faced two main constraints:

- **Lack of an up-to-date performance framework:** The review found that AusAID did not have an effective performance framework for evaluating the combined 2003 country strategy and 2005 AIPRD partnership agreement. While some work had been done on this, it had not been finalised or endorsed by management and so was not used in this assessment. The performance framework of the 2003 strategy provided specific outcome indicators, but they were not revised to take account of the 2005 partnership agreement.
- **Lack of specific objectives:** The wording of the higher level objectives in the 2003 strategy, and as they were revised in the partnership agreement, was too broad and more a description of general intent than a statement of measurable outcome targets. In addition, some of the original indicators were not sufficiently quantifiable and timebound, and some were clearly too ambitious in relation to the aid program initiatives.

⁷ Ongoing initiatives (as opposed to completed initiatives) were assessed by whether they were on track to achieve their objectives, using the same rating scale.

⁸ *Australia–Indonesia Partnership Strategy 2006–10: Issues, Attachment C: Australia–Indonesia Partnership: A Rapid review of the Australia–Indonesia Development Cooperation Strategy, 2003–06*; Mark Beard and Peter Versegi, *Indonesia: Analytical report for the White Paper on Australia's aid program*, September 2005; and *Australia Indonesia Partnership 2005–06: Report to the Joint Commission*, June 2006.

As a result, the review team approached the task in two steps:

- using the available 2003 strategy indicators to rate performance, even though these had not been revised to reflect the expansion of the program in 2005, and
- then constructing a set of likely strategy objectives, based on assumptions about the underlying intentions of the two strategies and derived from the scope and focus of aid initiatives under each stated objective.

Performance against the 2003 indicators and the derived strategy objectives was qualitatively assessed using the same scale as for the program initiatives assessment. Tentative ratings were proposed by the review team and tested and amended through focus group discussions with AusAID teams, government partners, donors, contractors and other stakeholders and informed groups. Final conclusions were further tested through peer review with other key government departments, AusAID senior advisers and the Office of Development Effectiveness.

Findings from this part of the review must be tempered by the methodological constraints. Overwhelmingly, the absence of specific strategy objectives and corresponding performance information created a major obstacle. The success ratings rely heavily on the veracity of the assumed intent of the objectives and on the informed views of key program staff, managers, partners and external observers.

Field work

Sector and thematic discussions in Jakarta included separate meetings for health, education, regional development, infrastructure, governance, civil society, counter-terrorism, HIV/AIDS, avian influenza, Aceh programs, and emergency and humanitarian assistance. For each topic, the format included:

- (a) a meeting with AusAID teams, focused on the following questions and points:
 - how do achievements compare with expectations?
 - changes made in initiative design and implementation; problems identified and resolved; response to issues identified in documented reviews
 - group assessment of each 2003 strategy indicator relevant to the topic
 - (for a sample of five groups) what are the key gender issues in the sector, and how are they being addressed?
- (b) a separate meeting with government, donors, contractors and other external stakeholders, focused on the following:
 - what are government priorities in the sector?
 - how well are aid programs responding to these priorities?
 - effectiveness of AusAID interventions and donor partnerships

Additional meetings were held with:

- (c) oversight agencies: planning, finance and foreign affairs
- (d) donors and multilateral financial institutions, including the World Bank, the Asian Development Bank, the United Kingdom Department for International Development, United Nations agencies, the World Health Organization, the United States Agency for International Development
- (e) other stakeholders, including the Social Monitoring and Economic Research Unit and the Asia Foundation.

Field visits were made in Nusa Tenggara Timur, including to the regional planning agency and health department, district and local health centres, a school, the HIV/AIDS program, the United Nations World Food Programme, German Technical Cooperation, and a school program managed by Save the Children in conflict-affected areas.

Rating scale

The same scale was used for both initiative-level rating and strategy-level rating:

- *Exceeded expectations.* Progress and achievements surpassed those anticipated during the review period, even if the implementation of the initiative was at an early stage.
- *Substantially achieved.* Progress towards the objectives was generally sound during the review period. While most aid initiatives and strategies encounter some challenges and obstacles, this rating was applied when the achievements were generally in line with expectations.
- *Partly achieved.* Progress and/or achievements during the review period fell a long way short of expectations, in many cases due to delays, and sometimes because of other obstacles and problems that prevented the desired outcomes. Some initiatives rated as partly achieved are effectively responding to those problems, and are likely to meet their intended objectives in the long run.
- *Not achieved.* Progress towards expected outcomes was minimal, compared with expected progress for the review period.

For initiatives, the ratings applied to the period of the assessment, whether or not the initiative was nearing full achievement of its objectives. Thus, for an ongoing initiative, the rating indicates whether the initiative was on track during the review period to achieve its objectives.

Attachment 3: Initiative performance assessment

The procedures used for performance assessment are described in Attachment 1.

Strategy Objective One: Economic management and growth

Increase and sustain economic growth by strengthening economic and financial management, developing human resources and financing essential public infrastructure

Focus Area 1: Management

- The Technical Assistance Management Facility, Government Partnerships Fund and Debt Management Project have *exceeded expectations* in support for economic governance reform during the review period. Indonesian Government clients noted their timely support to government reform initiatives and pragmatic, unbiased approaches. There were significant institutional reforms in debt management, capital market supervision, bond management and audit procedures. Australian assistance contributed to the implementation of tax reforms which garnered an additional \$1 billion in revenue over a three-year period, and helped support a successful auction of parts of the 3G radio broadcast spectrum, with a \$500 million revenue gain including future licence fees. The involvement of senior Australian Government officials and the building of links with Australian institutions through the Government Partnerships Fund is at an early stage, but is highly valued by Indonesian counterparts and has deepened the impact of advice provided. In institutions with strong reform agendas, scholarships and training were valued as important contributions. The Tax Department, for example, trained over 800 staff members in regional offices on the code of conduct for tax staff.
- The Public Expenditure Analysis and Capacity Harmonisation (PEACH), implemented by the World Bank through AusAID-financed assistance to the multi-donor Decentralization Support Fund and Support Office for Eastern Indonesia, supports economic government reform and financial management in Papua. Early indications are that the proposed assistance to the provincial government is well regarded and timely, although it is too early to rate achievements.

Focus Area 2: Production

- The Smallholder Agribusiness Development Initiative aims to increase local economic growth through an ambitious design linking the Kecamatan Development Program, the Australian Centre for International Agricultural Research (ACIAR) and the International Finance Corporation (IFC). This has potential for high returns, but it is too early to assess results.
- The Program for Eastern Indonesia Small and Medium Enterprise Assistance (PENSA), implemented by IFC with AusAID support, aims to link local producers to markets and minimise market constraints in eastern Indonesia. IFC provides detailed reporting on program achievements, but does not assess achievements against development impact targets. There is potential for greater AusAID involvement in clearly articulating and monitoring these.
- ACIAR has a large program in Indonesia, amounting to \$14.5 million during the three years of the strategy review, excluding activities funded by AusAID. Out of 22 key performance indicators during that period, ACIAR assessments show that 2 were *exceeded*, 14 *achieved*, 5 *partly achieved* and 1 *not achieved*. While ACIAR's strong Indonesian network facilitates partnerships with other research organisations, there is potential for greater alignment under a coherent Australian strategy, and for stronger joint assessment of impact on productivity and incomes.
- ACIAR and IFC are both working in the important area of restoring livelihoods in Aceh and Nias. IFC's Private Enterprise Partnership supports the development of a master plan for rehabilitating fisheries, supply-chain analysis and financing of small to medium enterprises. The ACIAR Aceh Aquaculture Rehabilitation Project aims to redevelop aquaculture, one of Aceh's most important industries. Both initiatives are well targeted, but it is too early to rate achievements.

Focus Area 3: Infrastructure

- Infrastructure and loans are new areas for AusAID engagement, and the current high level of involvement was not envisaged in the 2003 strategy. To date, actions to prepare the Eastern Indonesia National Road Improvement Project have *exceeded expectations*. The work has included assessments of sector issues, constraints and partners; the development of effective delivery arrangements using government systems; and the drafting of new loan instruments. A robust approach to corruption has been included. There is a risk of slow disbursement due to the inefficiency of government procurement and management systems.
- The infrastructure component of the Aceh program has *substantially achieved* expected outcomes to date. Despite implementation delays and environmental challenges, substantial achievements within a 15-month period were the building of a temporary ferry terminal, schools and community centres.
- Australia's contribution of technical advice and quality monitoring of infrastructure provided by other donors, NGOs and the Indonesian Government in Aceh *exceeded expectations*.

The Technical Assistance Management Facility is being used to formulate government policy on infrastructure regulation and projects in power, roads and ports, to help attract private and public investment in those sectors. This is rated under Focus Area 1, above.

Strategy Objective Two: Democracy

Help build the institutions of democracy, particularly through Australia–Indonesia partnerships

Focus Area 4: Public administration and management

- The Government Partnership Fund is at an early stage, but so far is *substantially achieving* its goals in public administration and management, for example in support from the Australian Department of the Prime Minister and Cabinet to the Indonesian offices of the cabinet secretary and the legislative process. As with economic management (see Focus Area 1), this is a key testing ground for Indonesian Government commitment to reform and for Australian Government capacity to meet this need, and shows good potential for developing mature partnerships in selected areas.
- The Public Sector Linkages Program provides an effective initial mechanism for Australian agencies to trial a variety of public administration and management activities with Indonesian Government counterparts, in line with the intentions of the 2003 strategy. The program has *substantially achieved* its objectives, although not all activities will evolve into more intensive partnerships.
- Many AusAID programs also contribute to public sector reform and management, for example in health and education, but these have not been separately assessed.

Focus Area 5: Civil society

- The Australian Community and Civil Society Strengthening Scheme (ACCESS), focusing on eastern Indonesia, has to date *substantially achieved* its objectives of empowering civil society (especially women and the poor) and NGOs in the target areas. Grants assisted community planning, micro-credit, water supply, schools and civil society capacity-building. The review raised questions about ways this approach could be sustained and scaled up.
- The Local Governance and Infrastructure for Communities in Aceh (LOGICA) program is so far *substantially achieving* its objectives. This approach is particularly suited to the post-conflict, post-emergency context. Main strengths include empowering civil society at the local level through promotion of democratic principles, such as accountability, participation and transparency. In addition, the program has built local capacity to prepare and manage small-scale projects, and to integrate them with district government planning.
- Engaging mainstream Islam has emerged as an important civil society focus for the aid program since the 2003 strategy. Outcomes have *exceeded expectations* through engagement with mainstream

Islamic organisations, such as Muhammadiyah and Nadhlatul Ulama in emergency response, basic education and health activities. Those organisations may have different priorities and agendas from those of the Australian Government, but they have wide coverage across all levels of civil society and actively participate in community life, providing an effective mechanism for building capacity and providing services to the poor. The small Developing Links with Islam program has *substantially achieved* this objective through its efforts to engage religious leaders on the promotion of pluralism and interfaith dialogue through mainstream Islamic organisations and smaller religious schools.

- AusAID support for the annual Indonesia Update conference at the Australian National University and the Social Monitoring Early Response Unit in Jakarta has been successful in promoting independent and impartial academic debate on Indonesia's social, governance and economic reform agenda, and is rated as *substantially achieved*. The new Governance Research Partnership program aims to increase this engagement.
- Electoral assistance supported through the Asia Foundation has *exceeded expectations* in ensuring fair electoral processes in partnership with mass civil society organisations, starting with the 2004 national elections and continuing with ongoing district-level elections. The People's Voter Education Network was assisted in monitoring 194 district elections and nine gubernatorial elections.

Focus Area 6: Rule of law

- The Legal Reform and Legal Development Facilities have targeted access to justice, human rights, transnational crime and anti-corruption measures. The initiatives have *partly achieved* their objectives, with access to justice the strongest performer. One achievement has been building the capacity of the National Human Rights Commission and its regional branches to promote and monitor human rights. Legal reform has proved to be a very ambitious agenda. While demand is high and the assistance provides substantial benefits in bilateral dialogue, Australian involvement in this sector would benefit from a tighter focus to ensure sustainable impacts and relationships.

Strategy Objective Three: Security and stability

Promote stability and security while building national emergency management and response capacity

Focus Area 7: Emergency and disaster response, reconstruction, prevention and mitigation

Assessment of the Australian response to the Indian Ocean tsunami in Aceh should take account of the unique disaster context, with massive loss of life and infrastructure, a post-conflict environment, unparalleled donor engagement, and weak government capacity to coordinate.

- The emergency response to the tsunami *substantially achieved* expectations. The response included field hospitals and temporary housing provided by the Australian Defence Force, medical teams provided by Emergency Management Australia and a broad range of support from AusAID for health services, medical supplies, schools, food, counselling and assistance to United Nations emergency agencies. Australian Government interventions were well integrated and soundly linked to longer term reconstruction and capacity building.
- The emergency response to the earthquake in Yogyakarta benefited from experience in Aceh, teaming Australian expert assistance with strong local partners who could provide local knowledge, translation and rebuilding of local capacity. For example, the impact of Australian doctors was significantly enhanced by close cooperation with the local doctors and nurses of SOS Medica, and the local nurses, doctors, hospitals and community connections of Muhammadiyah. Objectives were *substantially achieved*.
- Effective emergency response was also *substantially achieved* for other disaster events, such as fires, floods and earthquakes in various regions.
- The Aceh and Nias Reconstruction Program *exceeded expectations* to date in delivering timely and quality services across a range of areas, including roving teams for housing quality, community engagement and land mapping. Health and education assistance is *substantially achieving* its objectives in this difficult implementation environment. Principles for engagement include

targeting the gaps between donor and government programs, expanding other programs, consulting at all levels of government, and providing flexible delivery mechanisms. Infrastructure delivery is discussed under Focus Area 3.

- The Yogyakarta/Yateng Reconstruction Program is off to a good start, building on lessons from Aceh. It has demonstrated exceptional responsiveness and support for government priorities in the design and tendering phase, but it is too early to evaluate achievements.
- The Bali Memorial Package and Jakarta Embassy Bombing Victim Assistance Program *substantially achieved* their objectives in assisting victims and their families; providing extensive support for an eye hospital, intensive care and burns unit in Denpasar; and improving the professional skills of medical and nursing staff.
- Overall, disaster preparedness objectives were *partly achieved*. The Australian Emergency Management Agency was not able to mobilise for its partnership with the Indonesian disaster coordination office, Bakornas, and has *not achieved* its objective of enhancing Indonesia's disaster preparedness and coordination. On the other hand, community-based preparedness and mitigation activities through Indonesian partner organisations, such as the Nadhlatul Ulama and Muhammadiyah schools and hospitals, were very effective and *exceeded expectations*. There was also modest attention to mitigation through building design standards in Aceh. AusAID has supported a longer term presence of United Nations emergency response organisations, and a regional tsunami early warning system.

Focus Area 8: Human security

- Peace-building objectives were *substantially achieved* through reconstruction and peace education in Aceh, and support for schools, clinics, food aid, youth empowerment and community reconciliation in conflict-affected areas in eastern Indonesia. Some of these efforts focused on the needs of internally displaced persons and their host communities. Much of this assistance was provided through international NGOs, with an explicit focus on building the capacity of local NGOs.
- Avian influenza was not envisaged as an area of focus in either the 2003 country strategy or the AIPRD Partnership Framework. However, Australia has *substantially achieved* its objectives in addressing avian influenza during this period, initially through a rapid emergency response to human outbreaks, and more recently through a more strategic focus on capacity building, surveillance and animal health. This whole-of-government approach has leveraged participation from other donors and helped the Indonesian Government begin to formulate its own response. Development of a strong, well-resourced, multi-sectoral approach at central and local levels will require higher prioritisation of avian influenza by the Indonesian Government, especially in the agriculture sector.
- The HIV/AIDS program has *substantially achieved* its internal objectives at the technical level in selected areas. The program is a leader in the harm reduction field in Indonesia, has supported the National AIDS Commission and has informed the Indonesian Government's response to HIV/AIDS. A key achievement was the establishment of the Indonesian Partnership Fund for HIV/AIDS – a joint government, multilateral and bilateral donor mechanism to resource, implement and monitor the response. The emphasis on piloting small-scale, 'good practice' interventions in the field has not had the desired effect on a broader scale of reducing the rate of HIV/AIDS transmission in targeted provinces. The new program, currently being designed, will feature a tighter geographic focus on high-risk areas, and enhanced policy dialogue with government.

Focus Area 9: Counter-terrorism

- The capacity-building aspects of counter-terrorism assistance are considered to be official development assistance and are included in this review. Overall, objectives were *partly achieved*. Infrastructure, technology and training aspects of the Transnational Crime Centre have proceeded according to plan, but the sustainability of the new systems was identified as a challenge in the mid-term review; this is now being addressed by the Australian Federal Police. The Jakarta Centre for Law Enforcement Cooperation has been very successful, and has contributed to a high level

of collaboration with Indonesian police and donor agencies. Engagement with Indonesian partners in port and airport security was slow in starting, but the Australian Department of Transport and Regional Services has now mobilised fully, and this activity is getting back on track. Other Australian Government departments are also engaged in counter-terrorism capacity building, for example in customs, immigration and anti-money-laundering, but information on their achievements was not assessed in this review.

Strategy Objective Four: Service delivery

Improve the quality and accessibility of government service delivery, particularly in the poorest and most remote provinces

Focus Area 10: Health

- Three maternal and child health (MCH) projects (Women's Health and Family Welfare, Improving Maternal Health in Eastern Indonesia, Healthy Mothers Healthy Babies) *partly achieved* their objectives in project districts. A sector review found that those districts were perceived to be better off in terms of staff quality, coverage of MCH services and community participation, although baseline data to measure MCH indicators was lacking. The review also found that the projects were flexible and responsive to new Indonesian Government directions, such as decentralisation, but had little policy or technical impact beyond the project sites. The projects have been useful in strengthening partnerships with provincial government and other key donors in eastern Indonesia. They have also provided useful lessons for a new programmatic approach, which will work through national and local health systems in harmonisation with other donors.

Focus Area 11: Education

- The 2003 strategy committed AusAID to increasing support for universal basic education significantly, and assistance has trebled over the past two years. A recent sector review found that project-style initiatives (such as the Nusa Tenggara Timur Primary Education Partnership, Creative Learning Centres for Children, and the Indonesia Australia Partnership for Basic Education) achieved their initiative-level objectives of trialling successful models for improving school management and the quality of teaching in target areas, but those practices were not widely adopted and did not have a policy impact at the national or provincial level. They are therefore rated as *partly achieving* the strategy objective.
- The Basic Education Project, which aims to improve access, enhance quality and build system capacity, has so far *exceeded expectations* in its preparatory phase. Informed by lessons from previous projects, the Basic Education Project will work at the national and district levels to improve education policy and governance, and to provide loan funding for the community-based construction of 2000 new schools. Achievements include the design of effective delivery arrangements using government systems, drafting of new loan instruments, and disbursement of the first \$30 million tranche for school construction. The scale of involvement (\$355 million over four years) has enabled Australia to take a leading role in donor coordination and policy dialogue as chair of the Education Sector Working Group.
- The Learning Assistance Program for Islamic Schools has *partly achieved* its objective of improving the quality of teaching and learning in Islamic schools teaching the national curriculum. The program has invested heavily in building relationships with Islamic schools and institutions at the grassroots level. In a complex and fragmented sector new to AusAID, with very independent institutions, this has involved considerable time and resources. Good progress has been made with the delivery of some small-scale activities. The program has now begun scaling up with tendering for delivery of several larger activities. AusAID is separately seeking greater engagement with national policies and the Ministry of Religious Affairs, especially through the Basic Education Program. The contracting model has also been revised to redefine the roles and responsibilities of the program management team.
- The Australian Development Scholarship and Australian Partnership Scholarship programs have *partly achieved* their objectives. Anecdotal evidence suggests that they are highly valued by Indonesian counterparts and important in forging people-to-people links. However, AusAID reviews have found that the stated objective of achieving impact at the institutional level by providing a critical mass of Australian-trained officials has had limited success. This is a very large

program (\$123 million over the strategy period, and recently scaled up dramatically to 25 per cent of the Australian aid program to Indonesia, and whether it is achieving an impact commensurate with its size is unclear. Reviews indicate that the targeted organisation strategy has had minimal success to date. Efforts are currently in train to better target scholarships and to track their impact through a systematic longitudinal survey.

- The Indonesia–Australia Specialised Term Training Program has been rated as *partly achieved*. A recent review found that the training has been of high quality and managed effectively, but the delivery mechanism is not responsive to emerging priorities and focal areas are not well aligned with country program priorities. While it has increased the capacity of individuals, it has not always resulted in institutional capacity building.

Focus Area 12: Regional development

- The Nusa Tenggara Assistance for Regional Autonomy (ANTARA) program has *not achieved* its expected results. While the concept appears sound, and some components are doing well, the program lacks strategy, alignment, transparency and ownership. Provincial and national governments are concerned about slow progress and lack of a clear operational strategy.
- Achievements of the Water Supply and Sanitation programs, implemented by the World Bank with AusAID financing, have *exceeded expectations* in the 2003 strategy. A relatively small investment has leveraged policy engagement with key donors and government officials and a real opportunity to influence the broader policy agenda for service delivery, particularly at the community level. While challenges remain large, Australia's assistance has helped set the agenda for this sector, leveraged other donors' involvement, progressed donor harmonisation, and been well utilised by the national planning ministry, BAPPENAS. Australia has moved from being a 'quiet' player to a being a more active partner at policy level.
- The Bapedal Regional Institutional Strengthening Project and Bapedal East Java Institutional Strengthening environment projects *substantially achieved* their objectives in strengthening the capacity of Indonesian environmental agencies to coordinate and implement sustainable environmental management. The Coral Reef Management and Planning Project also achieved its objective of improving the management of coral reefs and their ecosystems in eastern Indonesia. Environment was not a focus of the 2003 country strategy and, after completion of these initiatives, no further environmental projects have been funded.
- Providing alternative livelihoods for illegal fishers in Australian waters was not a focus of either strategy, but has recently emerged as a priority issue. This is being addressed specifically through a pilot activity on Rote Island and through initiatives such as the Smallholder Agribusiness Development Initiative and the Australian Nusa Tenggara Assistance for Regional Autonomy Program, which focus on rural livelihoods, including in coastal areas. Initiatives in this cluster are at too early a stage to assess.

Attachment 4: Reports reviewed for the assessment

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2. AusAID Executive Minute: *Australia–Indonesia Partnership Strategy 2006–10: Issues, Attachment C: Australia–Indonesia Partnership: A rapid review of the Australia–Indonesia Development Cooperation Strategy, 2003–06*, 2 May 2006
3. *Indonesia: Analytical report for the White Paper on Australia's aid program*, Mark Baird and Peter Versegi, published by the Department of Communications, Technology and the Arts, September 2005.
4. *Indonesia country program strategy from 2003*, AusAID, 2003
5. *BAPEDAL East Java Institutional Strengthening Project, Independent completion report*, prepared for AusAID by Dr Alison Baker and Dr Philip Hughes, October 2005
6. *BEJIS project report no. MOR-10 Milestone 34, Activity completion report*, prepared by ACIL Australia Pty Ltd for AusAID, Surabaya, August 2005
7. *AusAID COREMAP independent completion report (final draft)*, prepared by Peter Hunnam for AusAID, July 2004
8. *Milestone 33 final activity report: Indonesia Coral Reef Rehabilitation and Management Project (AusAID COREMAP)*, prepared for AusAID by ACIL Australia Pty Ltd, March 2004
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18. *Australia/Indonesia Medical Research Initiative (AIMRI) extension period, Final activity completion report*, prepared by Dr Michael F Duffey for AusAID, January 2005
19. *Indonesia Australia Partnership for Skills Development Program, Milestone 1.47 final activity completion report*, prepared by SAGRIC International Pty Ltd for AusAID, March 2005
20. *Indonesia Australia Partnership for Skills Development Program, Independent completion report*, prepared for AusAID, May 2005
21. *Draft independent completion report, Indonesia Australia Specialised Training Project Phase II*, prepared for AusAID, October 2004

22. *Independent completion report, Indonesia Healthy Mothers Healthy Babies Project*, prepared by Angela Mercuri, Dr Fahir Izhar and Dr Rachel Burdon for AusAID, 2005.
23. *Indonesia–Australia Water Supply and Sanitation Policy Action Planning Project Phase 2 (WASOLA 2): Mid term review final report*, AusAID, 13 February 2006
24. *Indonesia Women’s Health and Family Welfare Project final independent completion report*, prepared for AusAID, September 2006
25. *Australia–Indonesia Development Scholarship (ADS) Program – Phase II monitoring and evaluation strategy*, submitted by IDP Education Australia for AusAID, revised January 2004
26. *Arrangements to manage and account for aid funds provided under the Australia–Indonesia partnership for Reconstruction and Development*, ANAO Audit Report 50, Australian National Audit Office, 2006
27. *The Australia–Indonesia Partnership for Reconstruction and Development*, chapter by Scott Dawson, Indonesia Update, Australian National University, 2005
28. *High level expert panel report: The rule of law in an internationalised world: Looking for the right questions*, Hague Institute for the Internationalisation of Law, 25 April 2006
29. *Executive summary, Indonesia’s Medium Term Development Strategy 2004–2009*, Ministry of State for National Development Planning/National Development Planning Agency, Republic of Indonesia
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