

Independent Evaluation of Provision of Core Funding Support to SMERU Research Institute

MANAGEMENT RESPONSE

Aid Activity Objective

AusAID has provided funding to SMERU since 1998. It currently provides core funding at a level of \$0.8 million per year to assist SMERU in undertaking the following activities:

1. the monitoring and evaluation of social and economic problems for the purpose of improving public policies and their implementation;
2. conducting effective research outreach to national and regional governments, civil society, academics and the international community;
3. supporting inclusive public policy discourse on poverty and inequality reduction strategies; and
4. strengthening the role of civil society in the formulation and implementation of public policies.

Aid Activity Summary

Aid Activity Name			
AidWorks initiative number	INE114		
Commencement date	29 October 1998	Completion date	31 March 2012
Total Australian \$	AUD9,449,558.39		
Total other \$	Nil		
Delivery organisation(s)	SMERU Research Institute		
Implementing Partner(s)	N/A		
Country/Region	Indonesia		
Primary Sector	Public Sector Policy and Administration Management		

Independent Evaluation Summary

Evaluation Objectives:

1. evaluate the extent to which AusAID's core funding has enabled SMERU to achieve its objectives;
2. review what SMERU has achieved, what has worked, what did not work, and why, to provide recommendations on actions that need to be taken in order to achieve the milestones in 2014;
3. assess the continued relevance of the SMERU Strategic Plan 2010-2014 and to provide suggestions on how to improve the strategy so that it continues to be relevant to the aspirations and needs of SMERU and the Australia Indonesia Country Strategy 2008-2013;
4. provide advice to help inform key management decisions in relation to the type of future support by AusAID to SMERU, in addition to lessons learned that will inform and shape the development and the implementation of the Australia Indonesia Partnership (AIP) Knowledge Sector Support Program.

Evaluation Completion Date: 13 February 2012

Evaluation Team:

The core of the evaluation team consisted of two people: Ms Julie Hind, a monitoring and evaluation specialist with Evolving Ways and Mr Gatot Widayanto, an independent consultant who specialises in organisational development. Two other team members were included to undertake the interviews with stakeholders based outside Indonesia, a brief literature review, and a proportion of the desk-based data activities – Ms Judith Woodland, monitoring and evaluation specialist, Evolving Ways and Mr Euan Hind, research officer, Evolving Ways.

Key Messages

Key messages of the evaluations' findings, recommendations, and lessons include:

a) Making strong progress towards the objectives of core funding

- The review found that SMERU is making strong progress against the objectives of the funding. It is producing a wide range and large number of high quality research products and services on topics relevant to socio-economic policy. It is also evident that SMERU is having an influence in the policy field. In late 2005 SMERU undertook a Rapid Review of the implementation of the Government of Indonesia's (GoI) direct cash transfer scheme to help offset increased fuel prices. Based on the findings and recommendations, the GoI improved the targeting method and the transfer mechanism conducted by the Post Office Indonesia. The improvements made resulted in a significant reduction in the error rate of targeting method, decreased negative media coverage about the scheme and, in turn, less opposition by politicians. Many non-government organisations were reportedly still not fully happy with the scheme but appreciated that it was now targeted better to the poor. In addition, SMERU's program of research is well aligned to the development priorities of the Indonesian and Australian Governments.
- This high standard of outputs and outcomes is made possible by a number of things. A strong internal focus on quality assurance processes ensures rigorous standards for research, editing and publication. The organisation is supported by a strong set of standard operating procedures. A strong work ethic is evident. SMERU is governed by a Board of Trustees whose members are committed to the institute's work, are highly respected professionals, and provide important strategic direction. There are good human resource policies underscored by rigorous recruitment processes.

b) A well developed organisation that needs to develop more business and management acumen

- Without doubt, core funding has been an important contributing factor in SMERU's capacity as a highly regarded institute. It has provided surety to employ a highly qualified team of researchers on a permanent basis at a remuneration level reported to be highly competitive locally. With some level of budget surety, SMERU has been able to concentrate on developing important organisational policies, procedures and processes that provide important organisational infrastructure. These differences were often mentioned as comparative advantages over other institutes.
- SMERU is now a well developed organisation with many efficient practices. It is time for it to develop more business and management acumen, particularly in the management of the particular areas of finance, workloads, project management practices, and business development strategy. It is also critical that SMERU begins to work on the basis of full cost recovery rather than the discounted fee structure it currently applies to its research projects. This is having an impact on the institute's sustainability and budget, which in turn impacts on workload and the capacity to undertake independent research. Taking steps to address these issues is important to continue to attract and retain staff, win competitive bids, and be able to provide timely research findings to influence policy.

c) AusAID's future support to SMERU

- The review recommended that AusAID provides core funding to SMERU for at least a further five years at a level similar to the current amount, with non supply-side activities (non-research provision activities, e.g. capacity building, technical assistance) funded separately. It is also suggested that AusAID provides development assistance to strengthen capacity in such areas as: business development planning; development and use of operational plans; and using a research agenda proactively to drive work.

Management Response

AusAID received a very high quality and comprehensive independent completion evaluation that addressed the evaluation objectives. The evaluation also introduces frameworks that would be useful for the wider Knowledge Sector program to assess the quality of research products for policy making purposes. For example, Annex 3 of the report demonstrates the use of Hovland's framework in analysing the quality of policy briefs. It also outlines SMERU's current performance, ways SMERU can improve its business and management acumen, and provides recommendations on AusAID's future engagement with SMERU.

As AusAID provides long-term core funding to SMERU, this means that SMERU defines how to use the funding (recently highlighted as best practice in an Evaluation of AusAID's Engagement with Civil Society in Developing Countries in March 2012 by the Office of Development Effectiveness). AusAID's role is to monitor the ongoing high level performance of SMERU. Therefore, most of the evaluation recommendations are directed at SMERU. SMERU board, management, and staff have discussed the evaluation's findings. They found that the report's recommendations are very useful in improving SMERU's operations to achieve its objectives as well as sustainability.

AusAID agrees to all the recommendations of evaluation and found that the report provides sensible recommendations to be implemented by AusAID and SMERU. AusAID agrees with recommendation one to continue providing core funding support to SMERU for a further five years at a level similar to the current amount of AUD800,000. The design of the Knowledge Sector program proposed that for the first five-year phase, AusAID would provide capacity building and core funding for selected research organisations, including ongoing core funding to SMERU. The design also proposes that an Implementation Team be assigned to manage the program components, which includes core funding to SMERU. AusAID has provided a one-year AUD800,000 extension of the core funding to SMERU from 1 April 2012 to 31 March 2013 to cover the transition from a stand alone activity to being incorporated to the proposed Knowledge Sector program. The extension is expected to maintain SMERU's effective core capacities and operations while AusAID mobilises the long term program.

AusAID acknowledges SMERU's response to recommendation two that in principle, SMERU agrees with the recommendations to develop and implement a business development strategy with several adjustments. SMERU agrees with recommendation i) to increase its independent research capacity, but will do so by submitting more proposals on open menu research grants and encouraging staff to do independent research individually or jointly. SMERU is of the view that their cumulative profit is better used for building endowment fund for long term sustainability. As for recommendation ii) based on previous experience, SMERU has decided to only provide occasional capacity building efforts for other research organizations in order to focus on research as the core activity of SMERU. AusAID agrees with the actions proposed by SMERU and will monitor its ongoing performance.

AusAID also supports the recommendations for AusAID to provide capacity building assistance for SMERU to: (a) develop a growth strategy (recommendation two) and (b) financial management to improve the organisation's budget setting and monitoring processes (recommendation six). The support will be folded into the long term Knowledge Sector program. AusAID will monitor the implementation of the evaluation's recommendations through six-monthly Program Consultation Committee (PCC) meetings and reports as well as the Activity Completion Report in the current stand alone activity. AusAID is going to work closely with the future Implementation Team of the proposed Knowledge Sector program so we can support SMERU to implement the recommendations in the long run.