

AUSTRALIA INDONESIA
GOVERNMENT PARTNERSHIPS FUND (GPF)

Activity no ING 126

INDEPENDENT COMPLETION REPORT

30 March 2010

John Winter
Murray Edwards
Eloise Saif
Lea Suganda

Disclaimer: The views expressed in the evaluation are those of the author only, and do not represent the views of the Government of Indonesia or the Government of Australia.

Executive summary

The Government Partnerships Fund facilitates partnerships between Commonwealth agencies in Australia and their counterparts in Indonesia, supporting capacity building and policy dialogue to support economic and financial reform. Since mid 2005 15 Australian agencies have formed partnerships, 13 of which continue. Of the original \$50 million allocation, \$41.9 million had been spent at the end of January 2010. The GPF will continue into a second phase starting in July 2010, subject to the availability of funds.

A comprehensive Mid Term Review (MTR) of the GPF was carried out in late 2007. The key messages of that report remain relevant. The aim of this ICR was therefore not to cover the whole GPF again but, taking the MTR findings as a basis, to test them in a set of three partnership case studies¹, and to document overall progress against the issues raised by the MTR.

The **goal** of the GPF was stated in the GPF guidelines as being to strengthen the capacity of Indonesia Government institutions to implement effective economic, financial and public sector management policies.

The **purpose** of the GPF was to exchange skills, knowledge and expertise between Australian Government Departments and agencies and key public sector institutions in Indonesia; and to build long-term institutional linkages and partnerships between Australian public sector institutions and their Indonesian counterparts.

The main findings of the case studies are:

- All three Indonesian partner organisations are engaged in rapid and widespread reform. Australian supported activities are aligned to reform priorities within agencies and determined under Indonesian leadership. However, there is no external testing of the choices made by individual Indonesian agencies and their Australian counterparts against Indonesian national priorities.
- The limited evidence available from reporting and from this ICR is positive at the activity level. Senior Indonesians insist that the form of assistance is valued. In particular, they cite the value of flexibility; of being able to access up to date experience from a peer organisation; the sense of mutual respect; the quality of staff on the Australian side; the

¹ The Australian National Audit Office with the Supreme Audit Institution of Indonesia, the Australian Taxation Office with the Directorate General Tax, and the Department of Finance and Deregulation with the Ministry of Finance.

process and communication as well as the technical skills of Australian public servants; and the ability to access a whole organisation, not just an individual.

- Partnerships have effects at many levels. Those involved can describe both policy and capacity outcomes. However, the lack of common monitoring and evaluation arrangements across activities means that partners find it difficult to identify or record outcomes systematically. There is no framework for considering whether progress to date is good enough, or whether it would have happened without GPF assistance. There is no monitoring and evaluation framework for the GPF as a whole.
- There was consistent praise for the timeliness, quality and appropriateness of inputs, and for the quality of communication with Australian officials. Continuity of personnel, where it has happened, has been a major advantage. Some of the management problems identified by the MTR are under control, but the lack of management coherence in the program has had costs.
- Sustainability strategies have been developed intuitively and implicitly, involving Indonesian leadership, following the grain of reform, and developing appropriate solutions. These need to be made more explicit in future design and monitoring.

The main findings of the MTR (summarised on page 2 of this report) are still valid. Although some management arrangements now run more smoothly and experience in the participating agencies has compensated to some extent for a lack of program wide management direction, the need for clearer rationale, objectives, strategic direction and monitoring and evaluation remain. The key recommendations of the MTR were deferred to the design of a new phase. The result is that despite a degree of success at activity level, structural weaknesses with their roots in the origins of the GPF have not been addressed. These are well understood by those currently managing the program.

Taking the case study findings and the still relevant conclusions of the MTR, the major implications for the design of GPF II are:

- Partnerships between government institutions are a different and potentially successful way of supporting reform in Indonesia. But their relevance to the objectives of Australia's engagement with Indonesia need to be better articulated.
- For a program of this size evidence of success beyond the successful delivery of outputs is thin. A more comprehensive monitoring and evaluation framework would have

enabled better stories to be told about success and conclusions to be drawn about resourcing.

- The question of whether the GPF is primarily about partnerships or development outcomes has been overtaken. All three case study partnerships are working with an understanding that they are aimed at change in the Indonesian institutions. A reformulation of the objectives of the GPF, and new standards for objective setting at partnership level, will help partners to define the change they are seeking and measure progress towards it.
- The GPF needs a clearer strategic intent and a framework for judging what partnerships should be formed and how existing ones are working. Without a legitimate governance arrangement neither is likely to come about. The design of GPF II offers an opportunity to consider further how to manage governance, including a greater Indonesian voice in decisions, and objectives. The design should also draw on existing experience to describe how good partnerships develop and determine appropriate measures of success beyond concrete changes in policy and practice.
- The GPF needs better resourced management and coordination, and the means to support structured monitoring and evaluation.
- Proposals for funding under the GPF have not made the case for particular levels of funding, or considered options for delivery. There is no mechanism for considering the cost effectiveness of different delivery models across the program, or of making comparisons of value for money. This needs to be made a more explicit part of choices under GPF II.
- The chances of success in partnerships will be enhanced by understanding of the context, length and stability of the relationship, focus, consistency and mutuality of objectives, and getting the right people involved.
- The GPF is not core business for Australian agencies. They and the GPF governance structure will need to give careful consideration to their ability to be able to provide current levels of support, and current quality of staff, in the long term. The management arrangements for GPF II should not be so demanding as to discourage their participation.

- There has been no gender analysis for the GPF and consequently no consistent monitoring differential impacts on men and women. GPF II will need provision for potential gender considerations to be examined for each partnership.

1. Background and approach

Origins

In response to the tsunami which devastated the Indonesian provinces of Aceh and North Sumatra in December 2004, Australia's Prime Minister and Indonesia's President agreed to establish the Australia Indonesia Partnership for Reconstruction and Development (AIPRD). As a part of the AIPRD, AusAID has managed, and shared with other Australian agencies the strategic direction of, the Government Partnerships Fund as a five-year, \$50 million initiative. The GPF facilitates partnerships between Commonwealth agencies in Australia and their counterparts in Indonesia, supporting capacity building and policy dialogue to support economic and financial reform. The present phase concludes in June 2010. GPF activities include seminars, workshops, internships, secondments, work attachments and long term deployments in Indonesia. Take-up has been significant: since mid 2005 15 Australian agencies have formed partnerships, two of which have been concluded. To date, over 5800 Australian and Indonesian officials have exchanged expertise bilaterally and more than 230 seminars, training events, workshops and other events have been conducted. Of the original \$50 million allocation, \$41.9 million had been spent at the end of January 2010.

Approval of partnerships was originally vested in a Secretaries' Committee representing Australian Government agencies, then delegated to a Core Group of representatives from AusAID and the Departments of Prime Minister and Cabinet, Treasury, Foreign Affairs and Trade, and Finance. Applications were made by the Australian agency with the concurrence of the Indonesian counterpart. While some partnerships arose from existing contacts, in many cases the initial scoping and activity design was done rapidly from a low knowledge base, and officials on both sides had to learn quickly how to make the best use of the partnership. Since funds available exceeded the rate of applications, in practice few choices had to be made about which partnerships would be funded.

AusAID has managed the GPF directly, contracting out logistical support for the partnerships in Indonesia to a managing contractor. At present it is managed by the economic governance team in Jakarta. This team is also responsible for managing the Technical Assistance Management Facility (TAMF), now renamed the Australia-Indonesia Partnership for Economic Governance (AIPEG), which provides complementary technical support in some of the same agencies as GPF.

The Australian Government has taken a decision in principle to continue the GPF into a second phase starting in July 2010, subject to the availability of funds.

Mid Term Review

A Mid Term Review of the GPF was carried out in late 2007. It considered the GPF as a whole, with more detailed coverage of four partnerships. The key messages were about the fundamental aims and design of the program, and as such they remain live issues in early 2010, although some important changes have taken place which are noted later in this report. The main conclusions were:

- The GPF was highly valued by senior staff on both sides for its role in building a stronger bilateral relationship between Australia and Indonesia, and for the peer to peer exchange it provided.
- However, beyond that, it was difficult to identify the GPF's contribution to broader development outcomes (these are referred to in this report as 'policy' and 'capacity' outcomes in line with the terms of reference). This raised the question of what the objective of the GPF was, and against what criteria it should be assessed.
- At the activity level, it was possible to draw out elements which were more likely to lead to a successful partnership – shared understanding of objectives, Indonesian leadership, length of the relationship, getting the right people involved, access to quality contextual information, and language skills. However, there was no evidence that these were routinely considered in the design of partnerships.
- Despite the strong involvement by Indonesians in scoping the partnerships, activities were driven by the capacity of the Australian agencies, and it was therefore difficult to be confident that partnerships were addressing the highest Indonesian priorities.
- Running the partnership was not core business for Australian agencies.
- Monitoring and evaluation, risk management and reporting were weak throughout the program.
- The governance arrangements needed to be changed to give greater coherence, to manage problems arising and to give a role to the Government of Indonesia.
- The management arrangements, expectations and accountabilities within the program needed to be improved and clarified.

Method

Given this comprehensive and relatively recent overview of the program, the Indonesia program decided to run the Independent Completion Report as a further set of case studies which would test the findings of the Mid Term Review two years on and identify current elements of good practice capable of being generalised throughout the program as an input to

the design of the second phase of the GPF (terms of reference at Annex A). In particular, the ICR was intended to illuminate the factors leading to effectiveness in the three strands of the GPF: policy, partnership and capacity building. In the event the ICR team found that the largely unwritten framework used by Australian agencies to guide their activities did not distinguish sufficiently between these three strands to be able to deal with them separately. This has implications for the design of GPF Phase II which are discussed later in the report.

The terms of reference also asked for consideration of management arrangements in the future. Although evidence was gathered on current experience and therefore possible orientations for future management of the program, it was agreed at the beginning of the ICR process to defer these questions (ie section 2 of the terms of reference) until the design itself.

The three case studies chosen by AusAID for investigation in the ICR were:

Australian agency	Indonesian agency	Activity title
Australian National Audit Office (ANAO)	Badan Pemeriksa Keuangan (BPK)	Development of the Indonesian Board of Audit's Performance and Financial Audit Capacity
Australian Taxation Office (ATO)	Directorate General Tax, Ministry of Finance (DGT)	DGT Modernisation and Training Partnership
Department of Finance and Deregulation (DOFAD)	Ministry of Finance	Australia-Indonesia Finance Engagement Strategy

The sample was purposive, aimed at covering a range of characteristics from a large (in expenditure terms) activity to a smaller one, and partnerships which used long term deployments in Indonesia and one which did not. The review team considered the Records of Understanding for all other current partnerships to come to a view on the representativeness of the sample. It is weighted towards the higher end of the range of expenditure and is in about the middle of the range for specificity of objectives. Because the sample did not include a small activity, it is not possible to extrapolate the findings of the case studies to activities spending, say, \$1 million or less in total. There may be a correlation between size of activity and extent of success which this review did not test. Equally it has not been possible to say whether narrowness of focus at the outset of a partnership is an ingredient in success.

The approach was to develop a set of questions (Annex B) which not only reflected the terms of reference, but also aimed to elicit information about changing experience on the issues raised

in the Mid Term Review. These questions were asked in semi-structured interviews with agency staff managing the programs in Canberra, with deployees in Jakarta (for the two agencies which had them) and with senior staff in the Indonesian agency. A simplified version of the questions was then posed in workshops for Indonesian staff who had been involved with the program, either in planning or receiving training or as study visitors or secondees to Australia.

No monitoring and evaluation arrangements were put in place at the program level, and as discussed below reporting at partnership level was largely confined to recording outputs. This meant that there was little structured evidence of effectiveness available to the review team. The focus of the ICR was on the variable understanding of objectives, the changing objectives over time and the effectiveness of the processes for ensuring that what Australian agencies had to offer increasingly met the needs of the Indonesian partner. Primary weight was therefore given to collecting and comparing perceptions of change. This process yielded insights into policy and (especially) capacity outcomes which had not previously been captured in partnership reporting. These were gathered to form an evidence base (although an incomplete one), but also to inform discussion within the design process over what sort of monitoring and evaluation system might have picked up the results to which partners are now assigning value. No attempt was made, consistent with the terms of reference, to collect primary data to verify perceptions of outcomes or in any other way to substitute for the monitoring and evaluation which should have taken place over the life of the program (which would have been a much longer task).

The review team also went through the recommendations of the Mid Term Review as a form of stock take of changes in the last two years. This was done by discussion with AusAID staff currently managing the program and two staff with previous involvement, and review of AusAID files, drawing particularly on the Australian Government's response to the MTR. The results are summarised in the main report and set out in the table at Annex C.

Limitations

As noted above, the focus of the ICR was on the factors most relevant to the new design. This was a practical use of the time and resources available, but the approach taken has significant limitations. The two major ones are:

- The synthesis of findings from three case studies and a Mid Term Review, while giving fairly consistent policy direction, is not the best possible basis for a robust assessment

of performance in the GPF as a whole. This would have required a wider sample of partnerships, a more profound look at variations in performance, and a closer examination of expenditure across the program. For this reason the overall ratings which are normally expected in an ICR are not formally part of this report.

- Because of the limitations in objective setting and monitoring and evaluation across the program, the evidence base for effectiveness is patchy. If more time had been available, more work could have been carried out with participating agencies to recreate the program logic and to relate accounts of achievement more consistently to intent and to means of verification. But in the absence of an agreed monitoring and evaluation arrangement and culture for the GPF as a whole, it would have been difficult at this stage to generate consent for such a process. This is an important consideration for GPF II. Evidence for this report therefore consists mainly of the judgements of Australian and Indonesian officials as collected in interviews and workshops (with particular attention paid to whether both sides share the same view), together with whatever outcome reporting is available from individual partnerships.

Structure of the report

Section 2 covers the changes in the overall program since the Mid Term Review. The Findings and Recommendations section contains considerations relevant to the design of the next phase of the GPF which the review team believe arise from the experience of the case studies and other sources of information used by the review. The remainder of the report sets out the findings from the three case studies arranged according to the AusAID standard evaluation criteria². The criterion of “relevance” is normally applied at the program, not the activity, level. However, for the purposes of the case studies relevance has been assessed according to the perceived fit with Indonesian agency priorities (as a proxy for a fit with the general Australian policy of promoting the capacity of Indonesian institutions to carry out their Government’s priorities). Some more general comments about the relevance of the GPF are contained in the Conclusions. Impact, gender and analysis and learning are dealt with in single sections at the end, since common considerations apply to all three.

² Sustainability was assessed in accordance with the AusAID guidance “Assessing sustainability in AusAID programs”. Since none of the case study partnerships have finished, and the changes they have helped to bring about are mostly still in progress, the focus is on whether a sustainability strategy exists and is being adhered to, rather than whether a partnership or any of its results are now judged sustainable.

2. Developments since the Mid-Term Review

The Mid-Term Review of the Government Partnerships Fund (GPF) of January 2008 made several conclusions and recommendations to the Core Group/Secretaries Committee, AusAID Senior Officials, AusAID GPF Secretariat, and participating Australian and Indonesian agencies, as well as some recommendations specific to the case studies evaluated. The present review included a systematic look at these recommendations as a form of stock take of changes in the last two years. A full set of recommendations and updates is at Annex C.

Strategic direction

The MTR's major recommendations were for greater strategic guidance in managing existing partnerships, including resource allocation and performance management, and articulating the aims of the GPF, including clarifying the balance between partnership and development outcomes. The latter issue has been largely resolved in practice (see findings). However, the need to clarify expectations from the GPF overall, and to establish a governance arrangement that provides effective oversight, remains the same. Neither the Secretaries' Committee nor the Core Group of Australian agencies has consistently fulfilled this role, and getting greater strategic guidance does not seem to have been a priority. In the Australian Government's reply to the MTR, further consideration of governance arrangements was remitted to the successor program, and action was confined to asking AusAID to assist agencies in formulating better partnership proposals.

It also recommended that AusAID should consolidate and enhance the coordination between GPF and TAMF so that the unique features of both are employed to meet shared objectives. In practice coordination has been achieved by common management in AusAID and some partnerships have been proactive in using TAMF (now AIPEG) resources. The option of a shared governance arrangement was considered during the design of AIPEG but not pursued because the task of overseeing AIPEG was seen as sufficient for one board. It remains an option for the design of GPF II.

Program Support

The MTR made several recommendations for clearer guidelines and a more proactive role by AusAID in design, dissemination of good practice, training and contextual information. However, it also pointed out that in practice AusAID's role was not well defined, and recommended that greater clarity was needed over the degree of autonomy, accountability and transparency required from participating agencies. The response of the Australian Government was that the Records of Understanding (ROU) between AusAID and GPF agencies provide this clarity. In fact the standard ROU provisions are specific over financial

responsibilities and activity reporting, but still leave room for doubt as to what each side can expect from the other. The interaction between AusAID and GPF agencies seems to have been a function of personality rather than compliance with the ROU. The result of the failure to deal with this issue, and that of governance more generally, has led to a lack of a clear set of common accountabilities within the GPF (other than, of course, the accountabilities that all Australian public servants work under). No agency within the Australian government therefore had a strong basis for developing the more centralised, guidance centred approach to GPF management which the MTR recommended. This weakness has been balanced to some extent by growing self reliance and knowledge of Indonesia among Australian agencies and the resolution (mostly) of some of the more time consuming management problems such as logistics and terms and conditions.

Briefings have been provided particularly to new entrants and to agencies without deployees in country on the country context, sectoral and program issues. In 2009 the AusAID Learning and Development Section compiled guidelines on training and briefing requirements for GPF officials. They have not yet been implemented as there have been no new assignments since then. Deployees have been meeting fortnightly until recently. GPF participants would like these meetings to be re-established and AusAID is the obvious agency to coordinate them. There is scope for the meetings to involve other stakeholders, such as the Minister Counsellor and AIPEG advisers, to identify links to and collaboration with the rest of the Indonesia aid program, to generate shared responsibility for the effectiveness of the Australian aid effort as a whole, and to promote common approaches to key relationships within the Government of Indonesia and with other donors. Having said that, Australian agencies have some responsibility for making these links for themselves without AusAID coordination, and some are already doing so effectively.

Monitoring and Evaluation

The MTR noted that although M&E culture understandably varied among participating agencies *the lack of M&E systems means that some very strong successes in individual activities have not received due recognition, depriving both partners of an opportunity to recognise that success, and use it to deepen the partnership. The objective, then, is to find a middle ground that is reasonable for both parties, and reflects the resources available to apply to monitoring and evaluation.*

The report also pointed to the role of M&E in informing views of the progress of the GPF as a whole and deepening the understanding of its potential. The recommendation that a monitoring and evaluation framework be established and resourced was agreed by the

Government of Australia, but also appears not to have been given a high priority, being deferred to be addressed in the design of a successor program.

The case studies show that monitoring and evaluation practice and the format and availability of reporting have varied among partnerships. Although all three partnerships studied have tried at some stage and in different ways to summarise and evaluate progress, and although a good deal of intuitive evaluation has gone on as part of the learning and adjustment process, the balance of reporting is firmly towards recording of outputs. And there has been no commonly accepted arrangement for assessing the value of the program as a whole. Such an arrangement, backed by the M&E resource recommended in the MTR, would have provided at a minimum a framework for describing and comparing results across the program, even if the management structures were not in place to make it a tool for program management. As it is, building a commonly accepted monitoring and evaluation practice in the new program will start from a low base.

3. Findings and Recommendations

Relevance to the country strategy

At present the relevance of the whole GPF to the objectives or the performance framework of the country strategy is not well defined, although some activities do directly contribute. Partnership is identified as a key modality, but this does not by itself cover the rationale for the GPF. This disconnect arises partly from the disparity between the ambitions of the country strategy objectives and the small scale inputs that are typical of GPF partnerships (in other words, given the objectives of the country strategy it is not clear that partnerships between public sector agencies is the right delivery strategy). In discussion during the ICR, AusAID staff described a shift in Australian cooperation with Indonesia towards policy dialogue and collaboration based on the political relationship and shared regional and global interests, in which programs like the GPF have an increasingly valuable place. The value that Australia places on twinning as a modality for Indonesia is underlined by the fact that the GPF experience is being drawn on in the preparation of other pipeline activities. However, this value will need to be articulated in the design of GPF II or its associated delivery strategy to strengthen the rationale for this form of expenditure.

Effectiveness

The hypothesis behind the GPF is that facilitating partnerships with a range of learning possibilities between Australian and Indonesian public sector organisations engaged in similar business will result in both a modality of support that Indonesia appreciates and a range of policy and capacity outcomes within the Indonesian organisation, provided that the reform environment remains strong. Indications from the views of senior Indonesians, and from the public pronouncements of the Finance Minister, confirm that the form of assistance is valued. In particular, they cite the value of flexibility; of being able to access up to date experience from a peer organisation; the sense of mutual respect; the quality of staff on the Australian side; the process and communication as well as the technical skills of Australian public servants; and the ability to access a whole organisation, not just an individual. The process of collecting information for the ICR also confirms that there are policy and capacity outcomes which have not been well recorded. The lack of monitoring and evaluation information and the small sample of activities in this ICR mean that caution is needed in judging the effectiveness of the GPF as a whole. However, the limited information so far points in the right direction – the challenge for GPF II will be to systematise it and to use it to make comparisons between partnerships.

Strategic intent

A facility that is defined by its modality rather than its intent sooner or later runs into the problem of explaining itself, or of having explanations put upon it by default. The shifting evidence used to explain the GPF in successive AusAID Quality at Implementation reports and activity level reporting suggests that the GPF has some way to go in this respect.

For the Mid Term Review a key question was

the balance between partnership objectives and development objectives, and what these concepts should mean in the context of the GPF.

One of the features of the maturing relationships established under the GPF is that this question is no longer as acute as it was two years ago. The Concept Note for the new GPF may even still overstate the separation between streams of results when it states that “result areas like partnership, institutional strengthening and contribution to policy dialogue are as important as technical development outcomes.” The findings of the ICR suggest that those managing partnerships are arriving intuitively at outcomes which cover a range of policy and capacity issues and treating the partnership as the means by which those outcomes are planned and achieved. In this view partnership and policy and capacity outcomes are part of a mutually reinforcing circle in which partnership leads to other outcomes which lead to deeper partnership, and so on. Conversations with Indonesian officials suggest that while they are happy with the partnership approach they are mainly interested in how Australian support can best help them to carry out the range of tasks they have within a demanding reform program. This seems a promising basis for further work on the objectives of the GPF as a whole (and therefore for more rigorous decision making around the quality of proposals and current partnerships), and for developing more specific, reform-related objectives at activity level.

With greater strategic intent needs to come the ability to explain why the GPF’s unique selling point of official to official contact is a valuable modality for bringing about change. There is now considerable collective experience, not only in the three case studies but elsewhere, of bringing about changed practice and capacity through partnership, but it has not so far been turned into a narrative that sets out pathways for future partnerships or leads to collective consideration of what can and cannot be done through the partnership approach in the future.

The experience of the GPF to date shows that the incentives for a loose coalition of activities under a facility to come together for this kind of analysis are weak. Only a legitimate governance structure that sets and applies entry requirements and monitors the progress of partnerships is likely to entrench greater strategic intent.

The issue of whether the GPF is addressing the highest priority economic and public sector reforms remains difficult to resolve. Despite Indonesian leadership at the agency level, it is a feature of the way the GPF works that the matching of the needs of individual Indonesian agencies and the ability of Australian agencies to assist does not result in a demonstrable focus on the highest level priorities for Indonesia as a whole. This is especially true if the current valued right of the Australian and Indonesian agencies working together to determine objectives and activities is retained. The problem is particularly acute for agencies such as Finance who have in principle a wide range of choices for action within a complex set of reforms. The GPF approach may prove to be as successful within its chosen areas as the more conventional alternative (an *a priori* assessment of the relative claims of a range of potential activities to achieve an outcome). The application of a legitimate governance structure will at least widen the range of expertise used to determine the fit between the GPF and Indonesian priorities. However, the design for GPF II will need to deal with the implications of not always meeting the highest priorities (eg by providing for due diligence to ensure that proposed activities are within Indonesian priorities and describing complementarity with other forms of assistance).

GPF management

Activities have progressed under the GPF umbrella, agencies have developed greater self reliance, and a swathe of niggling administrative problems has been overcome. But experience from the three case studies and from the workshop for Australian GPF agencies in December 2008 is that the costs of not having better resourced management coordination have been not only a confused set of messages about what the GPF is intended to achieve (see above) and an unclear sense of what it has achieved (see below), but also

- Some unsatisfactory preparation for deployment (this has been addressed, but too late for the present crop of deployees)
- An undefined sense of AusAID's obligations in convening groupings of the GPF in Jakarta and Canberra (although there have been intermittent initiatives)
- A loss of identification with the wider Australian aid effort, despite some agencies making proactive links with other parts of the program
- Uneven understanding of aid harmonisation and alignment principles
- Uneven compliance with basic reporting arrangements

Monitoring and evaluation

The position remains unchanged since the MTR. Without a monitoring and evaluation framework that encapsulates the program's intent, staff tend to report on their basic accountability, which is the delivery of outputs and assessment of their quality (although high profile successes such as the creation of a structure mirroring Australian practice also get reported). Information that tracks the success of the basic concepts underlying the GPF is not being captured. And without relating observed progress to objectives it is difficult to know how much to value it (ie there is no way of testing whether progress so far is good enough). This is an underlying problem in reporting outcomes for all three case studies; it is especially true for the ATO/DG Tax partnership, where, as both participants now recognise, efforts have been spread over a number of activities.

The main lesson from the case studies is that it is not difficult to get participants in GPF partnerships to reflect on success at a number of levels. Deployees welcomed the idea of a GPF-wide resource which would help to draw together assessments of progress in a structured way. The M&E arrangement will need to be made relevant to current review and planning cycles.

In an environment of rapid reform it can be difficult to trace the contribution of any particular influence to observed change. For example, both ATO and IMF reporting records the creation of a High Wealth Individual tax office as a success. Although in this case there are good reasons for the apparent overlap, formal contribution analysis is likely to be a useful part of an M&E arrangement.

Value for money

The permissive approach to activity design has led to a range of approaches to resourcing partnerships. Some agencies have chosen for policy or resource reasons not to have deployees in Jakarta, while the largest partnership has three. The ANAO managed the relationship without a deployee for three years and has recently deployed a senior member of staff as the partnership consolidates. Activity proposals do not consider alternative options or make the case for any particular level of resourcing. Other than a percentage charged for administrative overheads, there is no standard provision for offsetting the costs of home department support, and arrangements for this vary between the three case study agencies. Nor is there any financial management system that compares costs of similar activities across programs.

Factors encouraging success in partnerships

The case studies illustrate the MTR judgements that the chances of success (in terms of both a deepening partnership and concrete outcomes) will be enhanced by

- the length and stability of the relationship (the involvement of one ANAO staff member since the beginning of the partnership with BPK had benefits recognised by both sides)
- focus and stability in objectives (again, the ANAO/BPK relationship has deepened through the pursuit of two well defined technical objectives which nevertheless have wide ranging implications for the audit function)
- getting the right people involved (Indonesian managers in all three partnerships were positive about the personal qualities as well as the technical knowledge of Australian staff and compared them favourably to consultants under other technical assistance programs)
- language skills (fluency in Bahasa Indonesia, or at least the willingness to learn, was cited as a factor in the ability of the Finance team to integrate into the two Directorates with whom they work)

Sustainability

Because the three case studies are still under way it is appropriate to judge them on whether they are being managed with an eye to sustainability, rather than whether the partnerships or the changes they have encouraged will be sustained. In all three cases sustainability strategies have been developed intuitively and implicitly, involving Indonesian leadership, following the grain of reform, and developing appropriate solutions. The prospects of sustainability are enhanced by the long term perspective taken by both sides and by the interest of both sides in developing an institutional relationship.

On the other hand, with relatively small inputs the partnerships are vulnerable to policy and personnel changes within their Indonesian partners, and have little influence over such structural obstacles to sustainability as staff turnover. Sustainability strategies will need to cover more explicitly in future contextual knowledge and the management of external risks to the partnerships.

Participation by Australian agencies

The fact that the GPF is not core business for Australian agencies was again emphasised throughout the ICR. This has three major implications for GPF II:

- There is a significant risk that Australian agencies will not be able to sustain their engagement. At present this risk is being managed, but it will need to be explicitly addressed by agencies considering a further five year period of involvement. In particular, given the lessons learned about the need for the right people to be involved, agencies will need to be able to commit to finding internally staff with the skills which have been found to be important, or adopting an appropriate mix of internal and external recruitment.
- Expectations, both within Australia and in Indonesia, of what a partnership can achieve need to be set realistically.
- Despite the need to make changes to increase the accountability and effectiveness of the GPF, the design will need to avoid making entry and implementation requirements so complex that they discourage participation.

Recommendations

Develop a stronger rationale and objective for the GPF, together with better defined elements for successful partnerships and more focused objectives for partnerships; and introduce strategic direction through a governance body.

Develop strengthened program management arrangements under the aegis of the governance body.

Include in GPF II from the start a monitoring and evaluation framework covering program and activity levels and identifying roles, responsibilities and resourcing.

Participating Australian agencies make explicit in their proposals for partnerships their strategy for maintaining their own capacity to participate and to keep objectives within their ability to deliver. Requirements for submission of funding proposals should be kept to a minimum.

The terms of reference call for “recommendations to inform the development of generic selection criteria for use by the governance body of the second phase of GPF.” The actual development of criteria is being taken forward in the design. However, the experience from the MTR and the case studies suggest that selection criteria will need to cover:

- Whether the proposal meets Indonesian economic and public sector reform priorities. Because the supply side is limited and the demand is acute, it is unlikely that Australia will be able to demonstrate that the process of matching Australian and Indonesian agencies will be able to address the highest priorities at any time. However, application of due diligence is required by the proposed governance body to examine the arguments for the priorities contained in proposals.
- Whether the partnership has focused and realistic objectives. The MTR concluded that focused objectives which are consistently followed raise the chances of success. This is not inconsistent with the responsiveness that has been the hallmark of the GPF.
- Whether the proposal is aligned with agency priorities and how the decisions on focus were arrived at. There is currently little problem in demonstrating Indonesian leadership in the choice of activities within partnerships for the GPF. But while this is essential, it does not by itself provide the rationale for strategic choices by Australian agencies. Greater selectivity in future might concentrate on how decisions on priorities are arrived at, the contribution of Indonesian agencies to the decisions and the breadth of consultation involved.
- Value for money. While a variation in approaches may have been appropriate to begin with, there is now enough experience for introducing efficiency considerations across the program and for requiring costed options and benchmarking with other partnerships.
- How Australian participation will be sustained, both at the level of individual partnerships and more broadly across Government. If the ability of Australian agencies to sustain partnerships cannot be taken for granted, more explicit strategies for managing this risk may need to be developed in advance. Moreover, the credibility of the GPF arises partly from the breadth of Australian agency participation, and partly from the fact that key Australian central agencies are participating. Future selection criteria may need to take account of the need to maintain these characteristics in the partnership portfolio as a whole.

4. Australian National Audit Office and Badan Pemeriksa Keuangan

Although there had been occasional meetings between personnel from the two agencies at international gatherings of auditors, the beginning of the GPF partnership in August 2006 was the first sustained engagement between them. BPK's remit is wider than that of ANAO, covering national, state and local government entities. The National Parliament has almost doubled BPK's budget in the last few years, with BPK growing from one central agency to a decentralised structure including 33 regional offices, and is currently engaged in a rapid recruitment program. The legacy of financial difficulties in the public sector and the current focus on corruption have placed a high burden of parliamentary, public and internal expectations on BPK.

The areas chosen for focus under the BPK – ANAO partnership were performance audit and financial audit. These have remained consistently at the core of the program. ANAO staff have conducted targeted training sessions and on-the-job training in Indonesia, undertaken a financial audit contract management pilot and provided secondments for a number of BPK staff to the ANAO. In late 2009 the ANAO senior staff member responsible for the management of the partnership transferred to Jakarta and is located in BPK.

The financial allocation for the partnership is \$3.329 million of which \$3.042 million has been spent so far.

Relevance

BPK has identified strengthening its performance and financial auditing capabilities as very high priorities. It has a Strategic Plan for 2006-2010 with four goals:

- To establish BPK as an independent and professional state financial audit institution;
- To meet the needs of stakeholders;
- To establish BPK as the central regulator in the field of auditing state financial management and accounting; and
- To encourage the achievement of good governance of state financial management and accounting.

Strengthening the BPK's financial and performance audit skills contributes directly to each of these goals. Although the areas of focus are 'technical,' they each carry a substantial modernisation agenda. That they are accepted as high priority projects for BPK is demonstrated by consistent senior management engagement and reiteration of their importance in annual planning processes.

As the relationship has developed ANAO has been able to adapt its support to begin to address systemic issues of effectiveness within BPK (and has been invited to do so), while maintaining the same focus areas.

Effectiveness

The objective of the partnership was originally couched in terms of outputs

To provide theoretical and practical training and guidance in the conduct of performance [and financial] audits, and to assist in the production of Indonesian training materials for sustainable BPK self-implementation.

In the latest activity proposal the objective has evolved to become “to build the capacity of BPK auditors to conduct performance and financial audits”. However, annual evaluation reports by the ANAO have mainly concentrated on the delivery of outputs. This has meant that, beyond covering the practical use of learning gained from its activities, the ANAO reports tend to understate the level of capacity being built.

Examples of the policy and capacity outcomes described in annual reports and during this review include: the use of methods learned through ANAO training to carry out significant audits within the Indonesian public service; greater understanding of a modern risk based approach to financial auditing; BPK now regarding itself as the ASEAN leader in performance audit; the production of a regulation governing the engagement of private auditors to work on behalf of BPK; greater awareness within BPK of the importance of links to the Parliament; advocacy with Parliament contributing to the establishment of a Public Accountability Commission in 2009 to accept and to respond to BPK’s work; and agreement that ANAO should move from direct training to training of trainers. A less tangible, but still significant, indicator of a maturing partnership is that BPK is the only one of the three case study agencies where senior Indonesian staff spoke of graduating from the partnership, at least in its present form.

The risks to embedding new approaches to audit remain considerable. They include the possibility that BPK management and policies may change over time or that the emphasis on one form of audit may eclipse the other (it is already agreed that financial audit will remain the BPK priority for some time). Discussion with the ANAO, and the requests now being made to them, suggests that the impact of training in financial statement and performance audit depends also on audit management, human resource, planning and financial issues. Working with BPK, the ANAO is adapting its approach to take account of these emerging issues.

Efficiency

ANAO has consistently delivered on its work plan, with high quality inputs received by BPK within the agreed time frame. In one case ANAO's temporary lack of capacity to provide planned inputs was dealt with by open and timely communication. It is unlikely that ANAO would have gained the level of trust that now exists without this consistent investment.

Continuity of personnel in ANAO and BPK has been an advantage; the current deployee has been managing the partnership since it started.

The partnership modality is valued by BPK for the access it provides to world class audit practice ("we can take from Australia what we need to suit our situation and laws"), for the understanding that ANAO has developed of BPK's business, and for ANAO's willingness to take Indonesian staff on long term secondments (up to 12 months) to enable them to participate in a full audit cycle.

While ANAO have managed within the annual financial commitments allowed by the GPF, they believe that a five year commitment, with annual review, would have enabled them to plan more efficiently.

ANAO is a small agency for whom international cooperation is not core business. Senior management have been highly supportive, but staff have been careful not to over-commit the organisation. Apart from internal constraints, ANAO have had to deal with the reluctance of some Australian agencies to accept Indonesian secondees as members of the audit teams carrying out audits in Australia.

Sustainability

As with other partnerships, a sustainability strategy has been evolving, based on a long term approach, starting with a modest set of inputs and building the complexity of engagement, working with Indonesian leadership, and beginning to address the systemic obstacles to changing practice. Staff alternate between performance and financial audits making it difficult for BPK to develop continuity in performance auditing. At the same time, the partnership is set in a context of rapid expansion and decentralisation in which learning is quickly diluted. As noted above, the sustainability of new practices depends on changes in the operating environment.

The deployment of the ANAO partnership manager to Jakarta is an opportunity to work with BPK to sustain the advances.

Monitoring and Evaluation

ANAO periodically reviews its activities in Indonesia and the reports of these reviews reflect the learning of lessons and analysis. The annual report is drafted by ANAO based on a workshop with BPK. This draft is sent to BPK for comment. ANAO finds the reporting process useful for itself, as it provides an opportunity to re-visit ideas and to gain consensus with stakeholders about aims and achievements. The ANAO also views it as helpful in discharging its obligation to be accountable for public funds and as a means of communicating to BPK leadership. Risks to the effectiveness of the partnership have been identified and are updated each year.

Successive annual plans, and discussions with ANAO and BPK officials, suggest that, in addition to policy and capacity outcomes, there have been changes in understanding, trust, and approach consistent with the original expectations of the GPF and with documented models of partnership from the literature. However, there has been no framework to capture the changes and contributing factors.

5. Australian Taxation Office and Direktorat Jenderal Pajak (DG Tax)

Under the auspices of the GPT, and following on from a Treasury portfolio scoping mission that concluded in June 2005, the ATO formally commenced a “Modernisation and Training Partnership” with the Directorate General of Taxes (DGT) in October 2005 with a series of conferences and presentations in Sydney and Canberra. Additional scoping of activities was undertaken with DGT in Jakarta by ATO officials during the first quarter of 2006. Consultation included the quite extensive number of other donors who were, and remain, active in DGT. The resulting agreed program of activities commenced from 1 July 2006.

The activities initially envisaged under the partnership involved ATO assistance in:

- Improving the DGT’s planning and Governance framework
- The structuring, planning and roll out of a Small Taxpayer Office
- Building capacity within the Large Taxpayer Office and Special Regions in relation to risk management and regulation of transfer pricing
- Combating tax avoidance in the cash economy
- The identification of new IT applications in the management of large projects
- The development of strategies for managing Tax Agents in terms of their compliance with tax law etc
- The development of a Tax Rulings program
- The introduction and/or improvement of Electronic Tax Administration initiatives
- Reviewing and improving the DGT’s Taxpayer Charter.

Under an amendment to the 2007 ROU, this scope of activities was subsequently modified to include assistance in establishing systems and processes for enforcing compliance with tax law among high wealth individuals, in the establishment of a tax information call centre, and in developing DGT’s audit work practices and procedures.

The assistance delivered in relation to these activities comprised a series of short term or one off engagements by ATO staff in delivering seminars and workshops to DGT staff in Jakarta and Australia, facilitating study tours to Australia by DGT staff and DGT staff placements in the ATO. Some activities (eg the Small Taxpayer Office) also involved the short term deployment of ATO staff in the DGT. The ATO, largely due to security concerns, has decided against long term deployments. A total of about \$1.3 million has been allocated to the ATO under the GPF, of which slightly more than \$1 million has been expended so far.

Relevance

The areas of assistance selected by the ATO under the Partnership have been extensively scoped with the DGT and with other donors. All interviews confirmed that the assistance responds to needs that the DGT has identified in progressing its current active program of reform and modernisation and is being provided in areas in which the ATO has relevant experience and expertise.

That said, it is difficult to say whether all the areas being targeted by the ATO represent the highest areas of priority for the DGT. The range of activities represented in the DGT's requests, and reflections by managers on the future in discussions during the review, suggests that strategic focus in the DGT can be improved.

The DGT is operating in a rapidly changing environment. It is likely, in particular, that the numbers of registered taxpayers will increase from the current base of around 15 million (in itself a very large increase from the around 2 million registered 3 or 4 years ago) to some 60 million over the next few years, many of whom will contribute little, if any, net tax revenue. Current reform and modernisation efforts need to be strongly focused on managing the consequent huge increase in administrative burden. There was some suggestion, however, that this is not sufficiently the case at present. The recently established Small Taxpayer Offices, for example, were said to have been structured around a model of shop fronts facilitating direct, face to face contact with taxpayers. Such an approach will not be feasible once numbers of registered taxpayers increase to the levels projected. Rather, the emphasis will have to shift towards developing the DGT's capacities in operating call centres, in other forms of e-communication, and in electronic data processing, in order to cope effectively. Initiatives are in train in these areas, including with the assistance of the ATO, but the clear message in discussions for this review was that these need to be intensified within a more strategic context.

None of this undermines the assistance the ATO has provided to the DGT to date. Indeed, ATO's activities have all been targeted to areas where effectiveness is crucial to the overall functioning of an efficient and effective tax administration agency. Rather, it suggests that going forward, better outcomes might be achieved by the ATO (and other donors) focussing efforts on a narrower range of activities, and deepening the assistance provided to ensure that reforms are realised consistent with the DGT's key strategic challenges.

The ATO itself recognises the need for this shift in focus, as does the DGT. DGT officials, in particular, noted that the initial phase of the GPF involved a significant learning curve on both sides which has allowed the DGT and ATO rapidly to build on an already long standing

association. There was a clear consensus that the DGT would be seeking to narrow the focus of ATO activity to fewer topics involving more intensive engagement.

Effectiveness

As outlined in ATO's Record of Understanding with AusAID dated 23 March 2007, the key objectives of the partnership are:

to provide capacity building through sharing Australian Taxation Office perspectives, experience and expertise to guide and mentor the analysis, redesign and refinement of existing business processes and models in the Indonesian Directorate General of Taxes.

There have been some significant outcomes during the ATO's engagement with the DGT. The ATO assisted in reviewing and advising on pilot operations of the then newly formed Small Taxpayer Office to assist in its further roll out and played a key role in the creation of the DGT's High Wealth Individuals unit, especially in providing the advice needed to get the unit operating. DGT officials also highlighted, among other things, the ATO's contributions in assisting DGT to progress improvements to its human resource management processes, particularly in providing guidance in developing DGT's strategic/corporate planning processes, in linking these to staff performance management, and going forward, in promising to provide practical learning within the ATO to core DGT staff who will be undertaking university courses in HR in Australia.

A particular issue discussed with DGT officials was also how well assistance provided by the ATO was being coordinated with that of other donors. On the face of it, with seven donors currently active in the DGT and each reporting activities in which the ATO also is involved, there seemed a high likelihood of overlap and duplication. In reality, however, it seems this potential issue is being very well managed between the ATO and the DGT, including with the assistance of an IMF Senior Tax Representative deployed in the DGT and, until recently, a further resident tax advisor deployed there under the TAMF.

Efficiency

Overall, the approach being pursued by the ATO in transferring the sorts of technical and other knowledge needed to enhance the DGT's capabilities in the areas being targeted appear appropriate and effective. The skills, approaches and systems needed for tax administration are quite specific and definable relative to (say) economic policy, and hence, are more amenable to transfer via the approaches that the ATO has pursued in conducting seminars, workshops, study tours and short term deployments of its officials in DGT and vice versa. The fact that the ATO is available as a ready and flexible source of, particularly practical, advice is

also very highly regarded by DGT. There was also a clear consensus on the Indonesian side that the ATO had delivered effectively all the assistance it had promised the DGT.

As noted, and consistent with most other partnerships, expenditure under the GPF to date by the ATO in delivering their very extensive range of activities has been quite modest. This has been helped by the fact that the ATO has not had the expense of maintaining a full time deployee in Jakarta. As with the other partnerships also, the GPF cost figure does not include the opportunity costs to the ATO in having many of its staff off line in conducting training etc activities. In the latter regard, nevertheless, the ATO has been very focussed on minimising the demands of the DGT partnership on its staff resources by, wherever feasible, combining participation by DGT staff in Australian based training with staff from other regional tax administrations (eg PNG) who have similar interests/training needs etc and with whom the ATO is similarly interacting. As well as helping to manage the identified high risk of ATO fatigue in servicing the demands of its partnership with DGT, this approach also facilitates multilateral contacts for participating DGT staff.

At the start of its partnership with the DGT, the ATO committed to a significant range of activities, many of which were delivered during the first year. As the partnership has matured ATO believe that the DGT has become much more focussed in identifying its needs for assistance with the result that the ATO now believes it has a “niche of areas” in which it can most effectively and efficiently assist the DGT over time. The ATO also noted that as the partnership has developed, more focus has been given to developing closer high level relationships between the two agencies which again should help to maintain alignment between the ATO’s assistance and the DGT’s strategic priorities.

Sustainability

The extent to which the improvements in the DGT’s performance generated by the ATO’s activities are sustained depends on the extent to which the knowledge and skills being transferred become embedded in the DGT’s systems, processes, and on-going staff training programs. In this regard, the DGT advised that there are formal processes in place whereby all staff participating in ATO (and other donor) training/capacity building are obliged at least to provide a written report on what they gained from the experience. Those attending such activities overseas are also obliged to make a formal presentation to senior management and other staff.

A key impediment to the full and effective institutional capture of knowledge gained from the ATO, nevertheless, is the current policy of the DGT to rotate the positions of all bar senior management staff every two years. While the rationale is clear, it limits the effectiveness of

approaches to capacity development that involve the transfer of knowledge and skills to a select number of employees in the expectation that they will then be further disseminated and embedded. Indeed, there is evidence of the problem in the fact that the ATO is now experiencing some repetition in requests and questions from DGT staff involved in its training and other activities.

This is a problem that the ATO, in concert where possible with other donors, will need to attempt to address. Possibilities could include commitments from DG not to move staff involved in implementing new systems and processes with the benefit of knowledge and skills enhanced by donors until at least the projects are completed. A similar commitment could be sought in respect of a core group or groups of staff skilled with donor support who would then become, in essence, trained trainers within the DGT.

Monitoring and Evaluation

The ATO has reported extensively on its partnership with the DGT. Consistent with the findings of the MTR, however, this reporting has for the most part understandably concentrated on describing activities and inputs rather than achievements or outcomes, although the most important tangible outcomes have been included. The processes by which the ATO has drawn on its increasing knowledge of and contacts within and around DGT to gather qualitative information, assess outcomes and plan future activities, or assess the value of the aggregate change they have helped to bring about have not been recorded.

5. Department of Finance and Deregulation and Ministry of Finance

The first scoping mission for the partnership between Finance and the Indonesian Ministry of Finance took place in May 2006. The context for the budget and financial management reforms planned by the Indonesians was the requirements of State Law 17 of 2003. While Finance saw their support from the beginning as contributing to these Indonesian led reforms, their broad scope, and the structure of the Ministry, in which Directorates General operate as independent entities, meant that the process for narrowing down where Australia could best contribute was potentially complex. Assistance to DG Budget with the introduction of a Medium Term Expenditure Framework has been consistently defined as a priority; other areas for Finance focus, including accrual reporting and accounting, cash management and asset management have emerged at different times through discussion over the course of the partnership.

A series of visits and workshops in 2006 and early 2007 helped to build relationships and set out Australia's stall, but it was not until mid 2007 and the arrival of the first long term deployee that the partnership began to gain focus, allowing Finance to understand better where the gaps in the Ministry were in the ability to implement the reforms rather than simply understand their technical content. There are now three long term deployees, one working with DG Budget on the MTEF, one with DG Treasury primarily on accrual accounting, and a team leader who works on both topics, provides overall direction and manages the program of training, seminars and study visits including a range of smaller inputs to other parts of the Ministry.

The Finance/IMoF partnership has by some way the largest funding allocation under the GPF - \$4.09 million, of which \$3.2 million has been spent so far.

Relevance

The Ministry of Finance has a significant reform agenda, much of it legislated. Directorates General within the Ministry vary in the breadth and importance of the reforms they are dealing with, and the resources they can devote to them. In determining where to focus its partnership efforts, Finance has had to identify partners with both a significant role in reform and adequate capacity to make progress.

The top management of the two DGs concerned insist on the importance to their DGs of two major topics being supported by Finance. Both projects are required by legislation and have timetables imposed by Parliament, and a good case can be made for the potential benefits of both.

Effectiveness

The objective of the partnership is stated in the most recent Activity Detailed Proposal (for the period July 2008-June 2009, prepared in January 2009) to be

to contribute to strengthening the capacity of Indonesian Government institutions to implement effective economic financial and public sector policies.

Elsewhere in the same proposal it is made clear that the areas of focus are budget reform, financial management (including accrual accounting, cash management and financial reporting) and asset management. Successive approval documents suggest that objectives have been informally and pragmatically adjusted as the context has become better understood.

There has been fairly systematic internal reporting on individual activities, but no system for regular gathering of evidence of progress. The shortage of evidence and the broad nature of the objective make it difficult to assess effectiveness. It is likely, however, on the basis of the information gained during this review, that there is a considerable amount of uncollected consciousness of the partnership making a difference in the Ministry of Finance. Outcomes described by Australian and Indonesian officials who have directly benefited from Australian support include:

- *Policy outcomes:* the imminent roll out of pilot multi-year budgeting for six Ministries as a step in introduction of a Medium Term Expenditure Framework; introduction of a system for consolidating and managing surplus cash; convergence in expenditure and budgeting classifications; material presented at workshops used as a reference in developing a Chart of Accounts framework and in accrual training bulletins.
- *Capacity outcomes:* greater understanding of the complexity of the current set of reforms; the ability to break large tasks down into smaller sequenced ones; realisation of the importance of relationships between Directorates General and outside the Ministry of Finance; emerging concepts of new forms of accountability under budget reforms; individual confidence to promote new ideas.

An additional indicator of effectiveness is the insistence at all levels in both departments where Finance is concentrating its efforts that continued support of the same kind is required.

Efficiency

Reporting of activities exists but not necessarily against prior work plans. However, Indonesian officials expressed themselves satisfied with the timeliness and quality of inputs within six month work programs which they participate in developing. Advantages identified from the

partnership modality included: in depth familiarity with a globally highly regarded public financial management system; access to Australian officials' process, as well as technical skills; sustained engagement in practical application of learning over time; and honesty and the ability to learn from Australia's mistakes.

Because of the institutional complexity in which it is set, the Finance partnership runs some risks of discontinuity and dispersal of effort. Both risks are much in the mind of the current team leader who is developing means to manage them. A long term presence in the Ministry has been essential to developing the partnership (Indonesian officials point to the arrival of the first deployee as its beginning). Some of the intensity of engagement was lost when the whole deployee team turned over in late 2008/early 2009. The current team have built on earlier interventions to focus their efforts more explicitly than was possible at the beginning, although their mandate still leaves them open to a wide range of requests for assistance (for example, the team's terms of reference for the first half of 2009 contain high and medium priorities, with some of the latter still giving rise to requests). Their location within the department of the Secretary General arose from the need at the beginning to be associated with a neutral base in the Ministry but should be kept under review as focused relationships develop (neither of the focus departments said that it was a problem at present).

The Ministry of Finance receives support from the World Bank for the reform of public financial management. Although the relationship with other donors is being managed through regular contacts, it is recognised that despite nearly three years of working together there is still scope to deepen collaboration, under Indonesian leadership, without losing the unique insights and skills that each source of external support brings³.

Sustainability

As with other partnerships, a sustainability strategy has been developed intuitively rather than set out in advance. Its elements are recognition of Indonesian leadership; developing cultural and institutional knowledge so as to be able to offer more appropriate technical solutions; and adapting inputs to the requirements of the Indonesian reform process within a vision of a long term relationship (rather than being driven to deliver a specific program). Indonesian officials are able to describe strategies for spreading individual learning, including having returnees from study tours present on their experiences, and in many cases are focused on getting support for the 'socialisation' of reforms as well as their technical content.

³ This point was also made by the US Treasury in a recent peer review (see Monitoring and Evaluation below)

A risk to sustainability is the Indonesian policy of staff rotation. This is being managed to some extent by ensuring that learning is done in groups rather than individually, but key staff do move on. Senior DG Treasury officials said that they regarded learning through the GPF as a long term investment which could be managed so as to benefit the institution later in individual careers.

Monitoring and evaluation

There is a good deal of internal reporting material for this partnership, and Finance took the initiative to include their work on this partnership in a comprehensive peer review by the US Treasury of activities in Asia and the Pacific. Finance is also exceptional among reporting agencies in having developed a monitoring and evaluation framework for its 2008-9 program. However, the synthesis of this material (the 2008-9 activity completion report) concentrates on outputs rather than the qualitative questions implied in the framework. As elsewhere in the GPF, more could be done to simplify external reporting, to have it incorporate Indonesian views and to make it useful for the reflection and planning cycle, and for the many other opportunities for strategic discussion, which currently exist. The experience of workshopping results to date with Indonesian Ministry officials suggests that this may be a valuable ingredient in M&E in future.

6. Assessments common to three case studies

Impact

The most successful of partnerships takes time. Even if more evidence of effectiveness had been available, it would be too early to say whether these partnerships, the most mature of which has been going for only three and a half years, will turn out to be mostly effective twinning arrangements for the transfer of specific skills and systems or develop into a longer term vehicle for support and guidance in the more difficult areas of reform. Given the increasing interest in the modality being used within the Indonesia program, it may be worth planning a full evaluation of the longest surviving partnerships at the end of phase 2.

Gender equality

When asked, for example in Quality at Implementation reports, to comment on the gender implications of the program, some Australian agencies can describe efforts to track equality of treatment through sex disaggregation of participants in activities. However, weakness and unevenness in responses is inevitable since there has been little analysis of a meaningful gender dimension to the program. AusAID's gender policy points to possible areas of enquiry for a more gender oriented economic reform program, and some investment will be needed to develop these for the Indonesia context (and/or to link the GPF with other gender related initiatives in the Indonesia program). The concept note for the next phase contains some pointers to better integration next time round.

Analysis and lesson learning

The circumstances at the time of the launch of the GPF meant that understandably implementation was prioritised over prior analysis. There has been considerable informal and unrecorded learning since within each partnership, but mechanisms for learning across the program remain largely undeveloped.

Annex A: Terms of reference

Introduction

The Government Partnerships Fund (GPF) program will conclude on 30 June 2010. These Terms of Reference provide the framework for the independent review of the GPF. This review is designed not to provide summative evaluations of activities, but rather to establish the factors which contributed to or mitigated the success of GPF partnerships and activities, and to make recommendations to inform the development of generic selection criteria for use by the governance body of the second phase of GPF.

Background

In response to the earthquake and resulting tsunami which struck Indonesia in December 2004, Australia's Prime Minister and Indonesia's President agreed to establish the Australia Indonesia Partnership for Reconstruction and Development (AIPRD). The AIPRD is a \$1 billion, 5 year commitment to support Indonesia's reconstruction and development efforts through sustained cooperation, with an emphasis on economic and social development.

The GPF, a \$50 million, five year government-to-government linkages program under the AIPRD, provides Australian government agencies with funding and support to conduct development activities with Indonesian government counterparts. Such activities include seminars, workshops, internships, secondments, work attachments and technical assistance.

The mid-term review of the GPF recognised the particular benefits of a government-to-government partnerships program and recommended that the GPF governance body commit to a scoping or design mission for a follow-on program with GPF characteristics. Senior Australian officials have agreed that there should be a second phase of the GPF, and this advice has been conveyed to senior officials in the Government of Indonesia.

The Government Partnerships Fund

The goal of the GPF is to strengthen the capacity of Indonesian government institutions to implement effective economic, financial and public sector management policies. Its purpose is to exchange skills, knowledge and expertise between Australian government agencies and key public sector institutions in Indonesia; and to build long-term institutional linkages and partnerships between Australian public sector institutions and their Indonesian counterparts.

Although AusAID is responsible for GPF program administration, the AIPRD Secretaries Committee originally had oversight of the program, and later delegated this role to a Canberra-based Core Group of senior Australian officials (from PM&C, Treasury, Finance DFAT and AusAID). The Core Group originally provided direction for the program and approved activities,

but as partnerships and programs of work became established there was less need for the Core Group to consider ongoing activities. Indonesian government agencies play a lead role in determining workplans, but there is no mechanism for Indonesian input at the whole of program level.

The GPF was the subject of a mid-term review (MTR) which reported in January 2008. It noted that the major strength of the GPF was the access it provided Indonesian officials to senior Australian government practitioners. Working with Australian public servants who had up-to-date knowledge of reform, policy and implementation issues, and who understood how government systems and processes worked, was consistently identified as the major advantage of the program.

The MTR identified several key areas where the GPF could be strengthened, leading to better development outcomes. An Independent Completion Report (ICR) provides an opportunity to assess the extent to which these recommendations have been addressed under the current phase of GPF, and to identify ways in which the follow-on program can be improved.

Objectives of the ICR

The objective of the ICR is to review selected GPF partnerships to determine the results achieved and identify the factors which underpin successful partnerships. The ICR will also:

- generate lessons learned that are supported by credible evidence to inform the design of the new program; and
- make recommendations to inform the development of selection criteria for activities that will reflect the objectives and strategic intent of the new program.

Scope of ICR

The ICR will assess and rate the program's performance against the review criterion of relevance; efficiency; effectiveness; impact (or potential impact); sustainability; monitoring and evaluation; gender equality; and analysis and learning. The ratings will be based on the standard AusAID six-point scale, as outlined in the ICR template (see Attachment A).

The following questions will guide the review team in forming these ratings:

Section 1: Factors Influencing the Achievement of Outcomes

- 1.1. To what extent are capacity building, partnership and policy outcomes balanced across the Activities? (This includes the extent to which stakeholders have a shared understanding of this balance.)
- 1.2. What features of the context have enhanced or inhibited the achievement of program outcomes?

- a) Capacity building outcomes
 - b) Sustained partnership outcomes
 - c) Policy outcomes
- 1.3. What have been the most effective approaches (interventions or outputs) or combination of approaches to achieving outcomes?
- a) Capacity building outcomes
 - b) Sustained partnership outcomes
 - c) Policy outcomes
- 1.4. What have been the most influential factors (other than context and approach) that have inhibited or facilitated achievement of outcomes?
- a) Capacity building outcomes
 - b) Sustained partnership outcomes
 - c) Policy outcomes

Section 2: Management Arrangements and Processes

- 2.1. What are the most effective management arrangements for AusAID and Australian Agency partners?
- 2.2. What is the most effective approach to ensure maximum GoI ownership and voice for program planning (partnership selection and Activity selection) and evaluation?
- 2.3. What is the most effective approach to prioritize the selection of Activities? Can the GPF be used as a mechanism to build capacity in GoI prioritization?
- 2.4. What is the most appropriate amount of resources applied to the management of the GPF?
- 2.5. To what extent should Australian agency partners reflect typical AusAID management and reporting requirements of contractors or other implementation partners in the aid program? (For example, M&E)
- 2.6. What is the most effective approach (including value for money) to supporting Australian seconded personnel throughout the activity cycle? This includes support for their capacity to:
- a) reflect good development practice in their work
 - b) reflect good project management practice to meet AusAID requirements

Using the above questions, the review will assess the activities of three GPF GoA agencies:

- a) Department of Finance and Deregulation (Finance)

- b) Australian National Audit Office (ANAO)
- c) Australian Taxation Office (ATO)

The three activities have been selected as case studies on the basis that they are representative of a range of issue areas, type of engagement and overall size. The review should consider the impact of each activity against GPF's goal and purpose, but should also evaluate each activity against the objectives stated in the Activity Detailed Proposal (ADP).

Evaluation Process

The evaluation will take around five weeks and is planned for early October 2009. The exact date and timeline of the ICR is to be confirmed based on the evaluation plan (including methodology) that will be developed by the team leader.

In undertaking the ICR, the evaluation team will:

- a) Conduct a desk study to assess relevant program documentation provided by AusAID and advise AusAID of any additional documents or information required prior to the in-country visit (2 days)
- b) Develop an evaluation plan (including the methodology), field research guide and instruments and identification of key respondents and further documentation required. The plan will indicate the roles and responsibilities of each team member for data collection, analysis and reporting (2 days)
- c) Participate in an AusAID briefing session in Jakarta at the start of the in-country field visit (1 day).
- d) Conduct interviews to review three case studies in Jakarta and Whole of Government interviewing in Canberra (21 days)
- e) Prepare an Aide Memoire for submission on the final day of the field review which outlines the major findings and preliminary recommendations of the IPR/ICR (1 day)
- f) Participate in an AusAID debriefing session in Jakarta at the completion of the field visit and present initial findings of the IPR/ICR to AusAID Jakarta and other relevant stakeholders (1 day)
- g) Submit a draft IPR/ICR (7 days of writing) for the team leader, consider if other team members are required to contribute and how much time they need
- h) Submit the final ICR (3 days of writing for the team leader)
- i) An additional optional two days at the end of the in-country field visit to debrief the Design Team

Reporting Requirements

The ICR team shall provide AusAID with the following:

- a) Evaluation plan (including methodology) – to be submitted at least one week prior to the in-country visit for stakeholder consultation;
- b) Presentation of an Aide Memoire and discussion - on the initial findings of the ICR to be presented to AusAID and list which ones at the completion of the in-country mission;
- c) Draft ICR – to be submitted to AusAID within two weeks of completing the field visit. AusAID may share the report with and seek feedback from the partner government (list which ones) and other key stakeholders, as appropriate; the evaluation will also be subject to technical quality review and review by peers.
- d) Final ICR – to be submitted within two weeks of receipt of AusAID’s comments on the draft ICR. The ICR Team shall determine whether any amendment to the draft is warranted. The report should be a brief and clear summary of the ICR outcomes and focus on a balanced analysis of issues faced by the activity.

Both the draft and final reports should be no more than 25 pages of text excluding appendices. The Executive Summary, with a summary list of recommendations, should be no more than 2-3 pages.

Team Composition

The collective qualifications and experience of the team should include:

- knowledge of AusAID systems and policies, including its Indonesia Country Strategy;
- knowledge and experience in the application of monitoring and evaluation frameworks in the area of governance reform;
- experience in conducting reviews or evaluations;
- knowledge and experience in the development and implementation of capacity building programs in the area of governance reform;
- knowledge of economics and economic governance in Indonesia;
- thorough understanding of the capacity building needs and priorities of the Government of Indonesia in relation to governance;
- word processing and spreadsheet skills; and
- familiarity with principles, guidelines and requirements of Australia’s aid program;

Each team member should also have:

- good oral and written communication skills;
- strong interpersonal skills and skills in team membership;
- experience of development context, preferably in Indonesia; and

- cultural sensitivity/awareness.

Collective responsibilities

- Submitting a methodology prior to the in-country mission that describe clearly the approach and includes the full list of evaluation questions, the methods and which respondents will be interviewed and what documents will be required for the document review and request additional information if needed such as the outputs of the M&E system.
- Designing and supervising the methodology for information collection for the mission. The methodology will reflect acceptable practice standards, and ensure that the conclusions in the final ICR are supported with credible evidence based on a sound methodology.
- Providing advice on M&E aspects of the project and other policy and implementation issues.
- Overall management and direction of the team, with responsibility for report delivery and for taking a lead in consultations with key stakeholders.
- Formulating recommendations for each of the ICR objectives.
- Oversight of report preparation and drafting of reports where appropriate, including the Aide Memoire, Draft Report and Final Report.
- Leading the preparation of an Aide Memoire following the design mission and prior to leaving Indonesia, for presentation to government stakeholders and consideration by the Minister Counsellor ensuring AusAID quality standards are met in relation to all review outputs; and
- The submission of documentation and reports to AusAID with the agreed time frame.

The team will be assisted by an AusAID Activity Manager for the provision of background information on the project implementation process, content and team through regular feedback during the evaluation process.

Annex B: Evaluation questions

Planning phase	Implementation Phase	Respondents
<p>What did the partnership set out to achieve?</p> <p>Did the partnership set out to improve policy and practice, develop a partnership, or develop an institution? If more than one of these, what was the balance?</p> <p>Did the partnership aim at removing a binding constraint in the Indonesian partner? Was the plan to remove the binding constraint part of an overall reform program?</p> <p>Did everyone understand the objectives in the same way?</p> <p>What led you to propose the mix of inputs?</p> <p>What were the assumptions (why did you think this partnership and the way it was designed would work)?</p> <p>What risks were identified?</p> <p>What was the strategy for getting sustainable outcomes?</p>	<p>What is it trying to achieve now? What do you think it has achieved so far?</p> <p>How would you describe the mix now?</p> <p>Did your objectives change? Do you think the partnership has the right objectives now?</p> <p>Does everyone understand the objectives in the same way?</p> <p>How have the inputs changed since the beginning?</p> <p>Have the assumptions been right?</p> <p>How have you managed the risks?</p> <p>How has the strategy been managed?</p>	<p>GoA partnership managers in Canberra and returned staff</p> <p>Indonesian agency staff with Australian advisers</p>

Management	
<p>What have been the strengths and weaknesses of the management arrangements?</p> <p>How were Indonesians involved in identification and design? How were their views expressed and integrated into the program of activities? Did the Australian side make suggestions for priorities which were not followed up?</p> <p>What are the reporting and monitoring arrangements? Do they help you as managers and partner organisations? Who is the audience for your reporting? How do you assess success?</p> <p>What skills, support and qualities would Australian officials have needed to do a better job?</p> <p>How have you shared in Australia or Indonesia the lessons learned from this partnership?</p> <p>Have the personal relationships built under the partnership carried on after deployments or study visits?</p>	<p>GoA partnership managers in Canberra</p> <p>Indonesian agency staff with Australian advisers</p>
MTR recommendations	
Did your agency follow up the Mid Term Review of the GPF and were any changes made in response to the recommendations?	Australian agencies

Annex C: Summary of progress towards MTR recommendations for stakeholder groups

The following is a summary of recommendations arranged according to the relevant stakeholder group.

Core Group/Secretaries Committee

Recommendation Category	Specific Recommendations	Actions taken
Clarification of Partnership and Development Outcomes	Core Group to clarify the factors that lead to the decision to pull back from, or stop investing in a partnership.	<i>This strategic direction has been accepted as essential and for implementation in GPF II.</i>
Clarify the Time Frame to GOI of GPF Commitment	Secretaries Committee and Core Group commit to a scoping or design mission for a follow-on program with GPF characteristics, and communicate decisions as soon as possible to Indonesian partners to allow them to integrate GPF into their Agency strategic plans.	<i>A further phase has been agreed in principle and a design mission is now scheduled .</i>
Shared View of Strategic Objectives and Approaches of the GPF	The current focus on economic reform and governance remains appropriate, and the budget allocation is of the right magnitude. Requests from other agencies to participate should be assessed on a case-by-case basis against the existing goal and purpose of the fund and available funding.	<i>It has been agreed that the focus and approach will remain the same.</i>
GPF Oversight and Governance	The roles and functions of the Core Group could be expanded to include strategic oversight and performance	<i>The Core Group was delegated limited authority to make</i>

	<p>management, and limited authority to make decisions about proposed activities.</p> <p>The Core Group (with Secretariat support) define the roles and functions of AusAID and participating Australian agency personnel. Particular attention is required with the management of terms and condition for secondees to Indonesia, and enhancing the programming role of AusAID Program Officers.</p> <p>The Core Group to articulate the degree of autonomy, accountability and transparency requirements for all parties.</p>	<p><i>decisions about proposed activities. This authority was not exercised to its full potential.</i></p> <p><i>Some improvements have been made to GPF management, but these fell short of an overhaul of management arrangements.</i></p>
--	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

AusAID Senior Officials

Recommendation Category	Specific Recommendations	<i>ICR Follow Up</i>
Improving the Quality of Outcomes	AusAID, through the Secretaries Committee, enhance Government of Indonesia involvement in the governance and strategic direction of the GPF. This could be placed before the Joint Ministerial Council, and have the Ministerial Council give direction that this be carried out.	<i>This specific recommendation was accepted by the Government of Australia but was deferred until the design of the second phase.</i>
Shared View of Strategic Objectives and Approaches of	AusAID to seek Cabinet reaffirmation of the commitment to GPF. AusAID to determine GoA	<i>Budget approval and political endorsement have been sought.</i>

Recommendation Category	Specific Recommendations	<i>ICR Follow Up</i>
the GPF	commitment to the medium-term (post 2009) resources that will be available to the GPF or similar facility.	
GPF Oversight and Governance	<p>AusAID strengthen management and coordination of Australian initiatives (including GPF) in Jakarta. The senior AusAID representative in Jakarta should continue to convene regular monthly meetings of GPF and other Australian advisers including TAMF.</p> <p>AusAID to re-consider the level at which they require their staff to communicate and negotiate with Australian agency personnel, especially on matters that merit the attention of senior personnel.</p> <p>AusAID to re-consider the employment of part-time staff to the Secretariat of the GPF and the risks to coherence and continuity. This is a challenging program that requires effective monitoring. The role also requires an investment in the development of relationships with WoG partners, and fulfilling their programming role of facilitating access to appropriate resources.</p>	<p><i>These meetings continued until the AusAID GPF team were relocated to the Kebon Sirih office. AusAID recognises its coordination role, but this needs to be better defined to allow it to be exercised more effectively.</i></p> <p><i>AusAID has limited human resources but has invested in the staff they have. For example Program Managers have become more involved in programmatic issues rather than logistics.</i></p>
GPF and TAMF Develop a Shared	AusAID to consolidate and enhance the coordination between GPF and	<i>AusAID investigated the possibility of further</i>

Recommendation Category	Specific Recommendations	ICR Follow Up
Architecture	TAMF so that the unique features of both are employed to meet shared objectives. This can be approached by inclusion of TAMF in the proposed Australian Government Jakarta-based coordination meetings.	<i>sharing of architecture during the design of TAMF's successor program, the Australia Indonesia Partnership for Economic Governance (AIPEG). This should again be investigated in the design of the second phase of GPF.</i>

AusAID GPF Secretariat Canberra and Jakarta (including OSU)

Recommendation Category	Specific Recommendations	ICR Follow Up
Clarification of Partnership and Development Outcomes	AusAID GPF Secretariat, with Core Group agreement, contribute to development of a shared view about the purpose of the GPF (that partnership outcomes are an important intermediate step toward achieving substantive development outcomes). This can be achieved through an enhancement of the guidelines, and inclusion of these concepts in AusAID orientation workshops, scoping missions and design development.	<i>There has been greater consensus around the purpose of the GPF, but this has not been translated into a more centrally managed, guidance driven approach.</i>
Clarify the Time Frame to GOI of GPF Commitment	AusAID Jakarta to work with GoI to reaffirm their commitment to the GPF activities to their participating agencies.	<i>Confirmed subject to budget provision.</i>

Recommendation Category	Specific Recommendations	<i>ICR Follow Up</i>
Improving the Quality of Outcomes	<p>GPF Secretariat in collaboration with the Partnership Policy Unit develop and disseminate GPF guidelines on successful approaches to achieving good partnership outcomes to support the GPF design processes. Will require Core Group endorsement.</p> <p>AusAID Operations Support Unit to develop a policy for investment in language skills for effective partnerships that represents good value-for-money.</p> <p>AusAID GPF Secretariat develops a mechanism for feeding good quality contextual from AusAID Jakarta to Australian agencies. Core Group to endorse the mechanism and provide feedback on whether or not Australian agency needs are being met.</p>	<p><i>Not followed up in the absence of a better defined role for AusAID.</i></p> <p><i>AusAID Learning and Development (L&D) section have developed GPF L&D Guidelines, but these have yet to be implemented as there have been no new deployments since the compilation of these Guidelines.</i></p> <p><i>The third recommendation has been addressed as required by AusAID.</i></p>
Shared View of Strategic Objectives and Approaches of the GPF	<p>AusAID Secretariat to enhance the guidelines to more effectively articulate the kinds of strategic approaches that are successful under the GPF.</p>	<p><i>See comments on centralised approaches above.</i></p>
Articulating Unique Contributions of WoG Partners	<p>AusAID Secretariat to enhance the Guidelines and AusAID orientation workshops to include a brief section that articulates what each partner brings to the partnership.</p>	<p><i>See comments on centralised approaches above.</i></p>

Recommendation Category	Specific Recommendations	<i>ICR Follow Up</i>
GPF Oversight and Governance	<p>AusAID Secretariat to provide adequate performance information via the M&E system to support the expanded role of the Core Group.</p> <p>AusAID to provide technical advice to Australian agencies to enhance the quality of proposals.</p> <p>AusAID Secretariat to instigate a peer review process where activities are of high value or sensitive.</p>	<i>Not followed up.</i>
Improving GPF Processes	<p>AusAID Secretariat to develop simple guidelines on design (including risk management) that are accessible to Australian agencies participating in the GPF.</p> <p>AusAID Secretariat to provide targeted design support for major activities, or provide design support during the annual or mid-term review of large, sensitive, or struggling activities.</p> <p>AusAID Secretariat to facilitate the development and implementation of a monitoring and evaluation system for the GPF.</p> <p>AusAID appointed M&E Specialist develop simple guidelines on the standard expected in activity level monitoring and evaluation (including risk monitoring) that are accessible to Australian agencies.</p>	<i>AusAID has provided ad hoc design advice, but there has been no structured change to design or M&E support.</i>

Recommendation Category	Specific Recommendations	<i>ICR Follow Up</i>
	AusAID Secretariat to articulate reporting expectations to Australian agency partners and provide examples of good practice in GPF guidelines. This could be approached through the development of a standard format or template to ensure the required content is included.	

Participating Australian Agencies

Recommendation Category	Specific Recommendations	<i>ICR Follow Up</i>
Clarification of Partnership and Development Outcomes	Australian agencies need to clearly articulate outcomes, and strategies to achieve them in the activity design; review the extent of design drift annually, and report on changes.	<i>See above.</i>
Improving the Quality of Outcomes	Australian and Indonesian agencies include discussions of key success factors, and strategies to achieve them during the design process. Topics would include (but not be limited to): clearly defined outcomes; effective executive support; recurrent budget implications; risk management of strategies to enhance flexibility and Indonesian ownership; participant selection processes; language;	<i>This recommendation has been addressed inconsistently across the GPF.</i>

	achieving institutional level partnerships; and participant preparation.	
--	--------------------------------------------------------------------------	--