reports

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Evaluation of DFID Country Programmes: Indonesia, 2000-2006

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.....The innovative Multi-stakeholder Forestry Project (MFP) demonstrates the value of an approach that addresses non-alignment through policy change.....

Introduction

This Country Programme Evaluation (CPE) of DFID's programme in Indonesia assesses the relevance and effectiveness of DFID's aid budget over the period 2000-2006. Over the years DFID has had a relatively small programme in Indonesia. In 2004 the country programme was rapidly scaled-up, in part due to the response to the tsunami and Java earthquake, but also as a consequence of a new strategic direction. Indonesia received £145 million over this period, a figure that represents 4.1% of DFID's total aid to Asia.

Context

Since the economic crisis and political transformation of 1997-1998, Indonesia has made significant strides in poverty reduction and promoting democracy. Significant progress has been achieved, with the proportion of people whose income is less than one dollar a day having fallen from 20.6% to 7.2% between 1990 and 2000. However, there are still more than 100 million people - 50% of the population – whose income is less than US$2 per day. Indonesia has progressed towards a more decentralised, democratic state, but governance remains a major challenge in a country that spans some 18,110 islands across 3,200 miles from east to west. Longstanding separatist disputes in the provinces of Aceh and Papua, inter-ethnic and religious tensions together with recent natural disasters further complicate the development challenge. Indonesia recently became a Middle Income Country (MIC).

Strategy

DFID-Indonesia has a clear and focused *country strategy*, especially in health where it is unequivocally MDG-based. The new country strategy (Vision Paper) led to a near doubling of ODA to over £30 million per year, alongside a twin-track focus on: (i) a 'flagship' governance programme in response to the Paris Declaration on harmonisation (the Decentralised Support Facility, or DSF), and; (ii) a significant investment to address the off-track MDG targets in health (maternal health, TB and HIV/AIDS).

However, the strategy has a number of shortcomings. Firstly, it is not underpinned by rigorous external analysis, especially in new areas of commitment. Secondly, existing interventions such as PRP and MFP are underplayed despite their importance during the period covered by the strategy. And thirdly, the objectives are mostly inward-looking, concerned with either DFID's internal management or the activities/outputs to be delivered by DFID; the country strategy is not results-focused, with the objective structure and indicators being unclear and inconsistently used across years.

Alignment: The country programme is strongly aligned to the national context, especially in health (and national targets in maternal health, TB and HIV/AIDS) and humanitarian and recovery assistance (through the government's Reconstruction and Rehabilitation Agency, or BRR).

Development effectiveness

The Indonesia portfolio has generally

performed well over the 2000-2006 evaluation period. There have been notable achievements through the Poverty Reduction Partnership Programme (PRP) and Multi-stakeholder Forestry Programme (MFP). Under PRP, the high quality analytical work of IndoPov (support provided to the World Bank to enhance poverty analysis in Indonesia) has helped influence the restructuring of fuel subsidies and the development of poverty-targeted cash transfers – two major government interventions with pro-poor implications. Similarly, MFP has been instrumental in influencing national policy (PP 6/2007), with communities empowered to have tenure over state forest resources. Furthermore, the HIV/AIDS IPF has made good initial progress in increasing the institutional capacity and leadership of the National Aids Commission (NAC), something widely accepted as a key step in addressing the HIV/AIDS epidemic.

DFID's flagship programme in Indonesia (the DSF) however remains a considerable challenge and risk to the portfolio. There are considerable hurdles still to overcome, including defining shared processes and procedures for a new organisation, an overemphasis on establishing the instrument (process) over visible results (outputs and outcomes), and a lack of a well-articulated, coherent demand from the government for DSF's products and services.

Harmonising donor practices has been rather sluggish in Indonesia, although with notable exceptions through the Tsunami Multi Donor Fund (MDF) and positive signs for the HIV/AIDS Indonesian Partnership Fund (IPF). In these two cases, harmonisation appears to have been more effective where there is: (i) a clear, single agenda around which to harmonise; (ii) strong government leadership on this agenda; and, (iii) a clear institutional setup which creates a single interface with government.

Partnerships: DFID's choice of partners is mostly correct and well assessed. The choice of working closely with the World Bank appears justified given DFID's relatively low aid volume and the Bank's strategic position vis-à-vis the government. DFID is widely acknowledged as playing an instrumental role in The Asia Foundation's creation of a new stream of work around poverty reduction with local Muslim organisations – organisations with a long history of involvement with schools, health provision and local politics but that have been largely overlooked by international donors. The notion of 'partnership' nevertheless needs to be more clearly examined, and on occasions requires a more intense engagement by DFID-Indonesia. Under PRP for example, DFID has chosen like-minded partners in the early stages, but management of the partnership became more distant as time went on.

Sustainability: Over the evaluation period, the portfolio has become highly dependent on DSF Phase II (for which effectiveness is uncertain) and this predominance appears to have limited the options available to 'invest in success' based on actual results (past performance). In several cases, communication around the exit process has left considerable uncertainty - and a potential lack of sustainability, as partners have been unclear about plans for follow-up, scaling up, exiting or other means by which benefits could continue into the future.

Major *lessons* drawn from the Indonesia experience are:

- DFID's key strategic focus on harmonisation (through the DSF) and working through partners (especially in health) has led to a reliance on other agencies to communicate with government. Communication and dialogue has at times has been irregular and unclear.
- Improving bilateral dialogue in this way is an important way of managing risk, and it may help forestall emerging problems and lead to greater cohesion.
- Low intensity and other forms of partnership, such as in health, can be effective. Nevertheless, partnerships require more active engagement throughout their life cycle, with better ways to monitor and manage performance.
- A more removed position from GoI can decrease DFID's ability to advocate effectively for pro-poor change. If multi-donor mechanisms are the preferred approach, greater attention (backed by technical assistance) should be given to assessing the effectiveness of the instrument itself (like MDFs), and not just the performance of projects it delivers.
- In situations where government policy is weak and not especially pro-poor, non-aligned programmes such as the MFP demonstrate the value of an approach that addresses non-alignment through policy change – something of potential interest to other country contexts, in particular fragile states.
- Indonesia's recent achievement MIC status – and the potential to use government revenues for poverty reduction – alters the donor-recipient relationship. Indonesia share similarities with BRICS countries, with

implications that DFID should engage in a different aid relationship – and one perhaps more defined by policy dialogue than resource flows.

Recommendations to DFID:

- Given that much of the current portfolio is less directly attributable to impacts on poverty reduction and the MDGs, more attention needs to be paid to defining intermediate outcomes that can be measured over the medium term.
- The portfolio is becoming more risky as it depends to a greater extent on fewer interventions, and especially the DSF. DFID-Indonesia needs to consider different options for mitigating and managing this risk.
- Off-target MDG progress in health will require longer term funding to be effective and to build on the early promise of the initial investments, especially in maternal health and HIV/AIDS.
- Any future country strategy should include a sound and in-depth analysis of the political economy, especially when embarking in new areas such as decentralisation.
- The 'recovery' and conflict-related elements of the portfolio should be better incorporated into any future country strategy. This is especially so as several of these are multi-year programmes.
- DFID should ensure that the scope and objectives of ISP funding for UN and Red Cross agencies are better understood by country offices and that partners are able to demonstrate added value of this core funding to better performance on-the-ground.

Management Response

DFID Indonesia welcomes the findings of this Country Programme Evaluation (CPE), which we consider to have been a thorough and constructive exercise. We would like to thank the members of the independent evaluation team for their professionalism in conducting the CPE, in particular the way in which they engaged both with DFID Indonesia staff and external partners. The report has identified a number of recommendations and lessons which we believe are of more general relevance across DFID, as well as to DFID Indonesia.

We welcome the findings that the country strategy is clear and focused, strongly aligned to the national context, and has generally performed well over the CPE period. We agree fully with the examples highlighted in the report of programmes with strong development impact, in particular the Multi-Stakeholder Forestry Programme, support to the World Bank under the Poverty Reduction Programme, and the Indonesia Partnership Fund for HIV/AIDS. In addition to showing a demonstrable and positive impact on poverty and MDGs, these programmes offer valuable lessons in terms of aid effectiveness and appropriate aid instruments.

We would accept most of the recommendations of the CPE. Specifically:

It is fair to note that the current strategy (Vision Paper) is not underpinned by rigorous external analysis, and that the objectives it sets out are mostly inward-looking rather than focused on country-level development outcomes. In response we would make three points: (i) the Vision Paper was intended as a "light touch" internal planning document rather than a formal Country Assistance Plan (CAP), and was therefore not subject to the same mandatory requirements and standards as a CAP; (ii) despite the lack of rigorous analysis in the Vision Paper, the strategic priorities it set out were in fact strongly aligned to the national context, as the CPE acknowledges; (iii) nevertheless, we would accept the case for more rigorous analysis and better quality results frameworks at the country programme level; these gaps are being addressed in the process of formulating the new CAP.

We would accept that, in moving rapidly towards a strategy based on promoting harmonisation by working exclusively through partners, DFID became more distant from the government. As the risks of this approach have become apparent, we have, as the CPE recognises, worked over the past year to strengthen this relationship and be more transparent through instituting regular bilateral talks.

We agree with the recommendation that, in evaluating the impact of the DFID Indonesia programme, attention should be paid to assessing the effectiveness of the aid instrument itself, and to defining intermediate outcome indicators more attributable to the DFID programme. On some other points, as follows, we would take issue with the recommendations of the CPE:

We would not necessarily accept the case for more active engagement on the "Low Intensity Partnerships" (LIPs) in the health sector. This is not to question the fact that some of our partners may have expressed a wish for greater DFID engagement, or that such engagement would not have resulted in some improvement at the margin. The costs of more intensive engagement need to be considered alongside the benefits, and need to be considered from the global DFID perspective –for example, the opportunity cost in terms of making available additional staff in fragile states.

On the issue of sustainability, the decision to commit a large proportion of the future budget to DSF was driven by the desire to pilot an innovative new aid harmonisation vehicle which was by definition risky, and this took precedence in future programming over investing in existing successes such as MFP and PRP. Whether this was appropriate or not is open to debate. Once this decision was taken, however, it was clearly communicated to other programmes and partners in time for plans to be made for the cessation of direct DFID funding.

We would not wholly accept the implication that the recovery and conflict programmes have not been adequately incorporated into the strategy. DFID Indonesia has devoted considerable staff time to ensuring these resources are strategically deployed and adequately monitored, as well as engaging in wider policy dialogue with relevant government agencies and other donors. We have also worked to develop a strategic intervention in disaster risk reduction at the national level using CHASE funds earmarked for DRR; this programme will be an important component of the future strategy.

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

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