



Australian Government

AusAID

**Indonesia Strengthening
Public Procurement Program
ISP3**

INH521

INDEPENDENT COMPLETION REPORT

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Aid Activity Summary

Aid Activity Name			
Aid Works initiative number	INH521		
Commencement date	1 September 2007	Completion date	30 June 2011
Total Australian \$	\$10,459,375.01		
Total other \$	\$0		
Delivery organisation(s)	Charles Kendall & Partners Pty Ltd		
Implementing Partner(s)	Indonesian National Public Procurement Agency (Executing Agency); Other partners include Government of Aceh Barat District, Government of Aceh Besar District, BPKP		
Country/Region	Indonesia		
Primary Sector	Economic Governance		

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Glossary & Abbreviations

ADB	Asian Development Bank
AusAID	Australian Agency for International Development
BAPPENAS	<i>Badan Perencanaan dan Pembangunan Nasional</i> (National Development and Planning Agency)
BPKP	<i>Badan Pemeriksa Keuangan Pembangunan</i> (Internal Audit Agency)
Bupati	District Administrator
CKP	Charles Kendall & Partners Ltd
CPI	Compliance and Performance Indicator
EQ	Evaluation Question
Gol	Government of Indonesia
HRD	Human Resource Development
ICR	Independent Completion Report
ISP3	Indonesia Strengthening Public Procurement Program
JICA	Japan International Cooperation Agency
Keppres	<i>Keputusan Presiden</i> (Presidential Decree)
KPK	<i>Komisi Pemberantasan Korupsi</i> (Corruption Eradication Commission)
LKPP	<i>Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah – LKPP</i> (National Public Procurement Agency)
LTA	Long-Term Advisor
MC	Managing Contractor
M&E	Monitoring and Evaluation
MoPW	Ministry of Public Works (<i>Departemen Pekerjaan Umum</i>)
OECD/DAC	Organisation for Economic Cooperation & Development/ Development Assistance Cooperation
PCC	Program Coordination Committee
Perpres	<i>Peraturan Presiden</i> (Presidential Regulation)
PFM	Public Financial Management
SOP	Standard Operating Procedure
STE	Short-Term Expert
TA	Technical Assistance
TMT	Technical Management Team
ULP	<i>Unit Layanan Pengadaan</i> (Procurement Unit)
WB	World Bank

Financial Statistics

GOI Fiscal Year – 1 January to 31 December

Exchange rate at 13 September 2010 – AUD1.00 : IDR8,416.91

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Executive Summary

The Indonesia Strengthening Public Procurement Program (ISP3) was started in January 2008 and will end on 30th of June 2011. The program's *overall purpose* was to assist the Government of Indonesia to *improve the efficiency, transparency and accountability of the national public procurement system*.

ISP3 consists of 2 components: *Component 1: Improve the institutional & regulatory environment for procurement at the national level; Component 2: Strengthen procurement process in targeted provinces and districts.*

The objective of this independent evaluation was to assess the performance of the ISP3 program to date and to provide recommendations to the Australian Agency for International Development (AusAID) on future directions for AusAID's investment in the procurement reform area after the end of the current ISP3 program. The scope of the evaluation was to: assess and rate the program's performance against the evaluation criteria in particular relevance, effectiveness, and sustainability; and to provide recommendation on the future AusAID support in procurement reform and/or an exit strategy.

ISP3 was positioned to work in close partnership with the government, particularly the Indonesian National Public Procurement Agency (*Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah* – LKPP) and at the sub-national level, with two districts in the Province of Aceh. LKPP was established in late 2007, and the organisation was at the start of the ISP3 program in 2008 only consisting of management level staff, thus much of the first year of LKPP's existence was dedicated to recruitment of staff and development of infrastructure. This has according the Review team significantly impacted on the effectiveness of ISP3 support, which in reality only has been going on as intended for the last 1.5 year while the evaluation covers the full program period. This naturally affects the evaluation results and ratings of evaluation criteria. After consultations with AusAID, it has been agreed to undertake the quantitative rating of the evaluation criteria in relation to two objectives: 1) to assess the performance of the program for the whole period; 2) to assess the performance of the program based on the last 1.5 years due to the changes at the institutional level as stipulated above. The last objective may provide adequate justification in decision making processes of AusAID future support in procurement reform.

The support to LKPP and the targeted districts has primarily been delivered through Technical Assistance (TA). Work processes have been highly participatory and consultative, with international and national experts working alongside the beneficiary institution's staff, providing advice and support to agreed activities. In general, the support was rated as highly relevant and of good quality.

Findings show that support has been successful in; Recruitment of LKPP staff – financial and technical support in the recruitment process; Development of legal framework – support to production of the new Perpres to replace Keppres 80; Development of the Human Resource Development (HRD) Master plan, and other deliverables within HRD and development of complaints handling procedures.

In the work conducted in the districts in Aceh, progress has been difficult in both districts, with highly politicised environments. However, during interview with the sub-national component in Aceh Besar, it was clear that the ISP3 had contributed significantly to the establishment of a more centralised procurement process and had provided valuable advice in the process.

As an *unintended effect*, the management structure of the collaboration, the Technical Management Team (TMT) has developed into an important strategic forum for the LKPP. According to interviews with LKPP, the TMT now also discusses other issue than ISP3 support, and is generally considered an important tool for joint priorities and discussions within the organisation. According to interviews with TMT members, this forum is likely to continue after ISP3.

In relation to outcomes, *“to improve regulatory and institutional environment for procurement”* and *“strengthened procurement processes in targeted provinces and districts”* it is much too early to say something conclusive about realisation. Both outcomes are highly dependent on the context, for example LKPP's possibility to improve the regulatory and institutional environment will be highly dependent on political support, mandate and the capacity of the

organisation to define, communicate and realise its role in the procurement system. The success of outcomes at the district level is assessed to be completely dependent on the political willingness and stability.

It is the evaluators' assessment that support to LKPP has been highly relevant, in terms of providing support to Indonesia's efforts to strengthen its procurement system, both at policy and organisational level. Regarding efficiency, the achievements of outputs has been at a high cost. In the case of ISP3 costs are presented in overall outputs and not in activities. While this illustrates well the cost of a particular achievement, it does not make the costs behind very clear. For some of the outputs achieved, the costs have been very high, in particular where progress has been moderate, such as support to the legal/regulatory framework and in particular the Monitoring and Evaluation (M&E) support.

Sustainability is assessed as moderate. There is little staff turnover foreseen in LKPP, hence individual competencies gained stays in the organisation. However, there are to date no structured systems in place for institutionalising knowledge and ensuring transfer to other deputies and colleagues, which means that investments stays with the individuals involved.

The M&E framework for ISP3 only came into place in early 2010 and the first monitoring report was developed in April 2010. While the approach is considered relevant and valid, it is not good practice for a program to be running for two years without a monitoring framework in place.

It is assessed that the management team is rather substantial, in relation to the limited scope and scale of the program, in particular due to changes during implementation. The overall budget has remained unchanged for ISP3, despite severe delays and slow start of the program, which has led to 42 % of the activity budget remaining with only 10 months to go in the current program. It is now planned for spending the full amount in coming months, something which in the opinion of the Review Team seems unrealistic and inefficient.

As for future support, it is recommended that the ISP3 is extended, since the LKPP is still in its very early years of existence and need support to consolidate the organisation and to establish and implement its mandate. As highlighted in the activity design document procurement reform is a long term endeavour, with no quick fix results. In line with the priority of AusAID to phase out minor programs or include them in larger scale sector interventions, it is suggested that any extension is only of medium term duration (18-24 months), and that it is made an explicit objective to transfer support to LKPP and procurement reform to another AusAID program, if still assessed relevant. The overall activity budget for an extension should be limited, in order to ensure that sufficient absorption capacity exist in LKPP.

Evaluation Criteria Ratings, entire program period

Evaluation Criteria	Justification	Rating (1-6)
Relevance	High relevance of support both at policy level and organisational/individual level	5
Effectiveness	Moderate effectiveness due to unrealistic objectives and low absorption capacity	3
Efficiency	Low efficiency, few signs of significant attempts to adjust to low absorption capacity, delays in program or other changes.	2
Sustainability	Moderate sustainability, individual capacity built but more uncertain if institutional capacity is being developed.	3
Gender Equality	Excluded in ToR	-
Monitoring & Evaluation	M&E framework assessed relevant and valid, but took two years to put in place, which is assessed inadequate.	3
Analysis & Learning	Excluded in ToR	-

Rating scale: 6 = very high quality; 1 = very low quality. Below 4 is less than satisfactory.

Evaluation Criteria Ratings (last 1.5 years of implementation)

Evaluation Criteria	Justification	Rating (1-6)
Relevance	High relevance of support both at policy level and organisational/individual level	5
Effectiveness	Moderate effectiveness due to unrealistic objectives and low absorption capacity. Effectiveness in last 1,5 years has been considerably improved	4
Efficiency	Low efficiency, few signs of significant attempts to adjust to low absorption capacity, delays in program or other changes.	3
Sustainability	Moderate sustainability, individual capacity built but more uncertain if institutional capacity is being developed.	4
Gender Equality	Excluded in ToR	-
Monitoring & Evaluation	M&E framework assessed relevant and valid	5
Analysis & Learning	Excluded in ToR	-

Rating scale: 6 = very high quality; 1 = very low quality. Below 4 is less than satisfactory.

Introduction

The ISP3 will end on 30 June 2011 and an independent evaluation to assess achievement of activity objectives, accountability and effectiveness of the aid activity, and what lessons can be learnt was conducted in August and September 2010. The evaluation was aimed at enabling the Review Team to also provide recommendations on future investment and/or exit strategy in the procurement reform area in Indonesia beyond the end of ISP3.

The following report presents the findings of the evaluation. In the introductory section a short overview of ISP3 is given, along with a contextual description of procurement reform in Indonesia, status up to date and main challenges ahead. The findings are to be found in the following section, showing progress towards objectives and presenting findings from interviews, desk research and observations. Based on the findings, judgements are made along the evaluation criteria put forward in the terms of reference for the evaluation (in Annex B answers to each evaluation questions can be found). Finally, conclusions and recommendations are presented in the last section of the report.

Description of ISP3

Australia has supported the Government of Indonesia (GOI) in public procurement reform program through the ISP3 since January 2008. Its purpose is to assist the GOI to improve the efficiency, transparency and accountability of the national public procurement system; and strengthen procurement related public financial management systems and information.

ISP3 is a three and a half year program split into two phases. The first phase of the project was from 9th of January 2008 to 30th of September 2008 and coincided with the initial allocation of funding. Based on the recommendations of a Mid-Term Review conducted in August 2008, it was agreed to continue to phase 2 of the program for two years and nine months to 30 June 2011. The total commitment of these two phases is AU\$10.5 million.

ISP3 originally consisted of three components:

- a. Component 1: Improve the institutional & regulatory environment for procurement at the national level;
- b. Component 2: Strengthen procurement processes in targeted provinces and districts, and
- c. Component 3: Strengthen Public Financial Management (PFM) systems to provide greater transparency and accountability of procurement activities at national and provincial levels.

The design of the programme was deliberately centred on two major different components, with the intention to be able to scale up or down depending on how central level reform progresses, i.e. if LKPP had not been established, more focus have been put on district levels (Component 2).

One of recommendations of the Mid-Term Review was that Component 3 be removed from the Logframe of ISP3 and all future audit and financial management reporting activity be focussed at the Province/District levels only. To date no activities have been undertaken within PFM in the program, hence it has not been a part of the evaluation.

ISP3 was positioned to work in close partnership with the government, and particularly LKPP, which was established on 6 December 2007. At the sub-national level, ISP3 is currently working in two districts in the Province of Aceh.

Implementation of ISP3

ISP3 has undergone significant changes since initiation, not least due to the actual establishment of LKPP as a National Public Procurement Agency. For much of the first year of LKPP's existence, mainly senior management staff was in place, meaning that implementation of ISP3 support and advice was difficult to carry out. During the last year the situation has improved significantly, and LKPP is now almost fully staffed, with around 150 employees, working in five departments (Deputies); Executive Secretariat – senior

management, administrative staff and HR; Procurement Strategy and Policy Development—responsible for regulatory framework; Monitoring and Evaluation – responsible for monitoring of procurement, procurement planning and e-procurement; Human Resource Development and Directions – responsible for capacity development initiatives and professionalization of procurement; Legal and Complaints Settlements— responsible for advice on complaints, investigations (but not with authority to issue binding decisions).

When LKPP was formally established, a shift in the initial design of the program took place, going from an output based TA program, to a more advisory capacity development program. The change was initiated upon the request from LKPP for advisors to work closely with staff, to transfer knowledge and expertise in a sustainable manner. The approach employed is reported to be user centred, in that requests from the organisation are prioritised in the LKPP by the ISP3 TMT, where after the requested support or expertise is provided by the Managing Contractor (MC), after approval from AusAID. The negotiations preceding these changes took considerable time, and the program was thus at a practical standstill during approximately six months (until beginning of 2009). As the illustration below shows, ISP3 is mainly focussing on providing advisory support and assistance to counterparts. The following program logic model is taken from the M&E plan and illustrates how the intervention is intended to work.

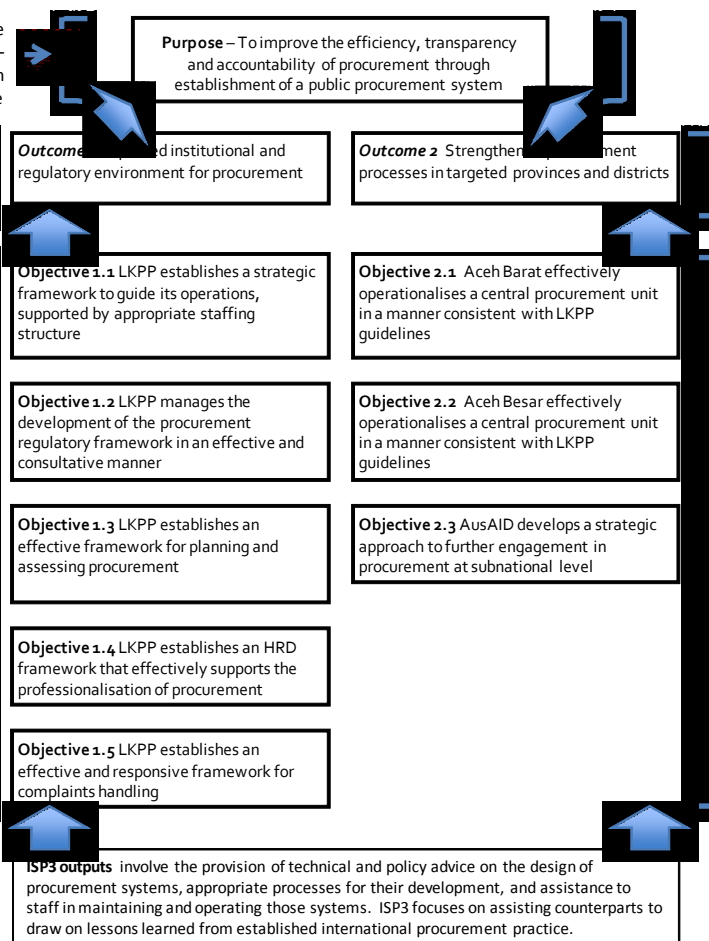
Figure 1 Program Logic of the ISP3 (from ISP3 M&E Plan)

Program Logic

The **purpose** statement describes the primary reason for the intervention – improved procurement practice, with results observable 3-4 years after the establishment of the system and the completion of ISP.

The **outcomes** represent the intermediate results of the Program, focusing on the establishment of key elements of the procurement system.

The **objectives** describe the institutional-level actions that result from (or are influenced by) Program outputs, focusing on the establishment of the building blocks for the procurement system.



The ISP3 is implemented through the MC, Charles Kendall & Partners Ltd (CKP). The contract is a traditional MC approach, with all funds management and accountability resting with the MC. Financing of ISP3 is achieved through direct reimbursement of costs and the use of an Imprest Account maintained by the MC in its Head Office in London.

The central management team currently consists of an International Team Leader, and National Deputy Team Leader, an office manager, a financial manager and two translators. In

addition to management team, the main part of support is provided through international and national short term experts (STE), financed from the program's activity budget (imprest account).

Procurement Reform in Indonesia

Public procurement in Indonesia has traditionally been conducted based on presidential decrees (Keppres or Perpres) that were revised from time to time in line of the government policy emphasis of that time. The keppreses have been updated and modified several times to improve the public procurement system. Unlike the procurement guidelines of the World Bank (WB) or Asian Development Bank (ADB) that stresses the principle of economy, efficiency and transparency, the keppreses have always had multiple objectives in accordance with the emphasis of Government policy of that time, for example efficient use of the State funds, promotion of domestic product and services, equity and social justice. Because of these multiple objectives of the procurement system, regulations may have meant different things to different people in its implementation. During the following years and up till now, this development has continued, with different presidential decrees, emphasising different policy aspects of public procurement.

Later regulations (Perpres 8/2006) introduced the procurement unit (ULP-Unit Layanan Pengadaan) that should be established in each government agency both at central and provincial/district levels, but no specific date was mentioned for their establishment. The purpose of establishing ULP was part of the policy to professionalize procurement. ULP would be responsible for the tendering process that was previously conducted by tender committee on an ad hoc basis starting from preparing tender schedules, cost estimate of the tendering package, advertisement, bid evaluation, and proposing bid winner.

Despite the updates contained in Keppres 80/2003, many weaknesses were still found in the regulation. Multiple interpretations and misunderstanding of Keppres 80/2003 still existed, and there was a need to prepare a simple procurement regulation. To achieve this purpose the Government recently replaced Keppres 80/2003 with the new Perpres 54/2010, to be followed by a separate Procurement Law which will cover all public funded expenditures.

In December 2007 LKPP was established, after almost three years delay. The organisation is mandated with the responsibility for sustainable, integrated, focused and coordinated planning and development of strategies/ policies/ regulations associated with the procurement of goods, works and services using public funds. Prior to the establishment of LKPP these functions were carried within a small unit in BAPPENAS, with little resources and an unclear mandate. Hence, the establishment of LKPP can be considered a clear improvement in the institutional policy framework for procurement in Indonesia.

A significant effort in procurement reform within a broader perspective was the Paris Declaration on Aid Effectiveness (2005), Accra Agenda for Action (2008), and the Jakarta Commitment: Aid for Development Effectiveness – Indonesia's Road Map to 2014 (2009) under which donors agreed to align their programming cycles with those of Government of Indonesia systems and increasingly use Government of Indonesia's financial management, procurement, monitoring and evaluation, and reporting systems.

The Paris Declaration and Accra Agenda for Action are based on the premise that by working in partner government systems donors are increasing the effectiveness and efficiency of government systems, addressing the systemic causes of poor service delivery. By integrating aid with partner governments, donors create opportunities for dialogue on the systems and processes which determine how all resources are allocated and disbursed, broadening the potential impact of aid contributions. The approach also provides opportunities to discuss government systems structures, performance and policy, institutions and reform.

In June 2007 a country led study was conducted using the OECD-DAC methodology in order to provide a comparison between international standards and Indonesia's Public procurement System.

The Snapshot Assessment indicated achievement in a number of macro indicators and that some efforts were still required in areas such as:

- Functionality of the Procurement Market – capacity of private sector stakeholders (contractor and suppliers) is weak, not well organized, the market may be segmented, and competition might be affected.
- Efficiency of Appeal Mechanism – independent body for this purpose is required.
- Existence of Institutional Development Capacity – improvement needed in the establishment of monitoring system, development of cost-effective capacity building plan inclusive of all stakeholders.
- Legislative and Regulatory Framework achieves standard and complies with obligations – high level public procurement law and associate subordinate regulations should be finalized.
- Mainstreaming and Integrating into the Public Sector Governance System.

Some of the above measures identified above are now achieved or started such as the establishment of LKPP, providing training for tender committees and project managers, certification or pre-qualification of contractors and consultants, and the use of standard bidding documents but efforts recommended in the Snapshot Assessment seem to be ongoing. Currently the Compliance and Performance Indicator Study (CPI Study) is also planned by LKPP, as an addition to and follow-up on the Snapshot Assessment.

Other activities in the area of Procurement Reform

There is also support ongoing to procurement reform within other AusAID programs, for example in the Indonesia Infrastructure Initiative, INDII, an assessment of the need for improvement of procurement systems and capacities has been developed, and in loan programmes procurement capacities are challenges and a priority area for improvement.

Apart from AusAID, other major development partners such as the WB, ADB, and the Japan International Cooperation Agency (JICA) have also been involved in procurement reform in Indonesia. The WB is now financing two major loans for road projects in the Ministry of Public Works (MoPW). It has assisted the MoPW in preparing standard bidding documents, including their dissemination and providing training for tender committees in understanding the WB's procurement guidelines.

Other than the MoPW the World Bank is also financing a number of projects in the Ministry of Education. For the time being the World Bank tends to channel loans which entail procurement reform to the two sectors as these two sectors are the highest spending entities and already fully staffed.

With regard to ISP3, the WB is of the opinion that for the purpose of sustainability the present process-oriented approach is the best choice. The WB assesses that LKPP has only just started to be operational and fulfil its mandate, but that work remains to ensure organisational alignment and coherence within LKPP and throughout the procurement system. At the moment the WB is discussing a Trust Fund of USD 750.000 with the LKPP, to be implemented along the same principles as ISP3 (with TMT, PCC etc). The areas for support discussed so far include HRD Master Plan implementation, development of standard bidding documents and dissemination of the new Perpres 54.

ADB has been supporting LKPP in capacity building in the form of development of curriculum in e-procurement, training in IT for e-procurement and providing funding for some LKPP staff to undertake a master degree course in procurement. The ADB has also been supporting the CPI study. For the purpose of further procurement reform the ADB thinks that LKPP as an organization should be improved, and also suggested that ISP3 should be continued.

JICA gives loans to Indonesia for a number of projects. Procurement in these projects is conducted by using JICA's Procurement Guidelines. In procurement reform JICA has supported a seminar on international standards for construction. So far JICA has no agreement yet with LKPP on future plans for assistance.

For the purpose of maintaining the procurement reform in Indonesia, LKPP and major development partners such as the WB, ADB, JICA, European Union, and AusAID has tried to form a working group that meets regularly. The first meeting was hosted by the WB and the

recent one by ADB. The next meetings will be hosted by LKPP, but no date has been fixed as yet. It would be beneficiary if LKPP took the permanent lead on hosting the meetings, in order to lead and take clear ownership of the support provided.

Future challenges in the Procurement Reform Process

In terms of needs, considerable challenges lie ahead in the planned procurement reform. The following areas will be crucial in the coming years, if reform is to have a real impact on how procurement practices and operations work:

- The Procurement Law – the separate procurement law is intended to clarify and consolidate the legal framework. Today conflicting regulations exist, for example in sectors specific legislation on procurement, and in decentralised regulations. A national procurement law will clarify this situation. Roll out of legal framework, adaptation and development of guidelines and manuals to support sectors and line agencies adapting the new regulatory framework is assessed as necessary.
- Professionalization of procurement – this will be a major change from current practice with ad hoc procurement committees being replaced by professional procurement bodies. It will require organisational development, skills development of procurement professionals, establishment of incentive systems and career paths etc. in order for ULPs to function.
- The roll-out of e-procurement– e-procurement is to be used by all state agencies by 2012. A system has been developed and piloted, the roll-out phase is now beginning. There are high expectations of e-procurement as a tool to improve the system and create value for money, but it also needs to be acknowledged that major capacity gaps exists both in spending entities and among contractors, before full benefit of a e-procurement system can be realised.
- The use of country systems –the new Perpres 54 clearly makes mandatory the use of national procurement systems for channelling external funds, and it is also a part of the Jakarta Commitment (although there is a provision on the new Pepres to negotiate use of other systems if assessed necessary). To the evaluators' knowledge, so far none of the development partners fully utilise the Indonesian framework, with considerable scope for further progress in this area. The CPI study now being planned by LKPP has the potential to influence this situation, if it provides valid and reliable information of the functioning of the procurement system.

Evaluation Objectives and Questions

The objectives of evaluation is to assess performance of the ISP3 program to date and to provide recommendations to AusAID on future directions for AusAID's investment in the procurement reform area after the end of the current ISP3 program.

Users of the evaluation

The users of this evaluation are understood to be multiple. Firstly, it will be used by Aus AID as an input to decision making on the future support to procurement reform in Indonesia. Secondly, on a more operational level, the evaluation findings and recommendations should be of use to LKPP and the ISP3 Program Coordination Committee (PCC) and team experts, during the last year of implementation of ISP3. Thirdly, the evaluation strive to be useful for the overall procurement reform process in Indonesia; although it must be acknowledged that the available time and scope of the evaluation mission did not enable a deep and thorough analysis of the whole procurement system.

Evaluation Criteria and Questions

The main evaluation criteria in this evaluation are (see also evaluation matrix Annex B and ToR in Annex C):

- **Relevance.** Evaluating the relevance of ISP3 to Australian Government and partner government priorities and to the context/needs of beneficiaries and changes to be made to the activity or its objectives in case it is not relevant.
- **Effectiveness.** Evaluating whether the objectives were achieved and if not why. Also check to what extent the activity contribute to achievement of objective.
- **Efficiency.** evaluating whether the implementation of the activity make effective use of time and resources to achieve the outcomes with further sub-questions on:
 - Whether the activity design for optimal value for money;
 - Have there been any financial variation to the activity and was value for money considered in making these amendment;
 - Has management of the activity been responsible to changing needs;
 - Did the activity suffer from delays in implementation and what was done about it;
 - Did the activity have sufficient and appropriate staffing resources.

Also evaluate whether a risk management approach applied to management of the activity (including anti-corruption) and what were the risks to achievement of objectives and were the risks managed appropriately.

- **Sustainability.** Evaluating whether beneficiaries and/or partner country stakeholders have sufficient ownership, capacity and resources to maintain the activity outcomes after Australian Government funding has ceased and are there any areas of the activity that are clearly not sustainable and what lessons can be learned from this.
- **Monitoring and Evaluation.** Evaluating whether evidence exist to show that objectives have been achieved and there were features of the M&E system that represented good practice and improved the quality of the evidence available.

Evaluation Scope and Methods

The evaluation was based on a qualitative approach, inspired by so called contribution analysis to assess the success of the ISP3 programme. The rationale behind choosing the contribution approach rather than attribution¹, was firstly the nature of the program logic which is built on increasing capacities and providing advisory support, and secondly that the specific evaluation questions emphasise the process aspect of the ISP3 rather than tangible outcomes of strengthened procurement systems (such as value for money procurement, or specific improvements in the procurement processes).

For the purpose of evaluation the Review Team conducted the desk study on the background documents provided by Aus AID and interviewed different stakeholders, indirect and direct beneficiaries, internal and external to the program both national and international, aimed at obtaining more complete information and opinion on the program.

The Team also interviewed the Bupati Aceh Besar and his procurement core team in Jakarta as the Team did not visit Aceh province. In addition the Team has met with other AusAID funded interventions, which in different ways are in contact with procurement operations and reform, as well as other development partners involved in procurement reform. All interviewed institutions are shown in the Annex A, and an evaluation matrix is presented in Annex B.

¹ Contribution: to what extent and under which circumstances activities have contributed to outcomes and impacts; Attribution; to what extent has actual changes (outcome and impact) taken place as a direct consequence of the activities.

Evaluation Team

The evaluation team consisted of three members, Ms Karin Attstrom, an international evaluation and procurement reform expert as Team Leader, Mr Rusman Ismail, a senior national procurement expert, and Mr Matthew Fehre, Director Working in Partner Systems at AusAID, Canberra.

Mr Fehre was involved in the design of the ISP3 and could thus be considered to be at risk of conflict of interest, however Mr Fehre did not contribute directly to the writing of the report and making judgements. The team leader certifies that no pressure has been exerted to change or alter any important findings, judgement or recommendations.

Evaluation Findings

In the following chapter the main findings of the evaluation are presented. The findings are centred on the main objectives of the program, assessing progress to date as well as an analysis of why/why not objectives have been met or are assessed likely to be met.

Findings Outcome 1 – Improved institutional and regulatory environment for public procurement

As previously described the intervention logic of ISP3 is centred on capacity development and skills improvement, in particular of the LKPP staff, but also other stakeholders in the procurement process.

While it is definitely too early to assess with any certainty the contribution of ISP3 towards realising the outcome objective *“improved institutional and regulatory environment for public procurement”*, there are some signs of progress worth mentioning. The findings are primarily reported through interviews conducted with different stakeholders in the Public Procurement reform, internal as well as external to LKPP, and by reporting from ISP3.

The establishment of LKPP is in itself a major improvement to the institutional and regulatory environment of procurement in Indonesia. Previously procurement policy was dealt with in a small unit within BAPPENAS, with approximately 10 staff, and an unclear mandate. With the creation of LKPP, and its mandate to regulate and develop policy, the resources and capacities committed to procurement reform has greatly increased.

To date LKPP has put significant effort into creating real outputs in the procurement reform, for example in terms of certifications, complaints procedures, advice to procuring entities etc. Below a short recount of outputs by LKPP is presented in quantitative terms (data taken from ISP3 Annual Program Report, July 2010, Annex 3 performance report).

- Providing advice in relation to procurement operations. LKPP records show that the organisation received on average about twenty written requests for advice per month (not including telephone calls) in 2009, while in 2010 this average monthly figure has doubled. The data suggests an increasing role for LKPP in providing advice, although the available data is still insufficient to draw confident conclusions about the volume of service being provided relative to demand.
- Providing advice in relation to procurement complaints. LKPP data shows that in 2009, LKPP received approximately eight requests for advice per month. The data shows a dramatic increase in the first half of 2010, with the monthly average jumping to 28 requests (the majority of complaints – approximately 70% – are from service providers). The main reason for the increase is unknown, but is more likely to be the result of increased awareness of LKPP’s role than it is due to any increased dissatisfaction with procurement practices.

- Certifying procurement officials. Between 2006 and 2009 LKPP has tested a large number of officials on Keppres 80 knowledge for the purposes of certification, as shown in the table. Prior to the establishment of LKPP in 2008, the testing function was managed by BAPPENAS. Since LKPP was established (in 2008), the numbers of officials being tested have remained largely the same following an initial dip. The data suggest that LKPP's role in certification is broadly recognised.
- Development and pilot implementation of the E-procurement system in a number of line agencies and 5 pilot provinces. The pilot is running and plans are made for complete roll out.

Year	Tested	Passed
2006	30,393	1,821
2007	35,767	3,042
2008	23,825	3,832
2009	34,503	5,231
2010	33,009	4,539

Overall, this data suggests progress in LKPP establishing itself within its stakeholder community insofar as LKPP is in regular contact and interaction with different stakeholders in the system.

Still the LKPP is of a very young age, and faces a multitude of challenges in the future development, such as:

- Staff coming from different backgrounds, in general operational rather than policy oriented, which means they have a tendency to think in operational rather than policy terms. This is a challenge in terms of installing coherence and cohesion in the organisation.
- A lack of understanding or awareness among stakeholders on the role and mandate of LKPP, for example it is by some external stakeholders seen as just responsible for drafting legislation and manuals.
- An unclear mandate in terms of implementation and/or policy. Currently LKPP do both and the organisation will need to decide what way to go in the future.
- A political pressure on two high profile components in the Indonesian procurement reform, the Procurement Law and e-procurement, which draws attention and focus from the organisation at the expense of other, such as professionalization of procurement, M&E etc.
- A challenge in building alliances and a constituency. Given that LKPP does not have enforcement powers, the influence of LKPP's guidelines, policies and advice will be dependent on the perceived use and benefit from other stakeholders.

There is significant further work to be done to understand, manage and adjust the expectations of different stakeholders. This is complicated not least by the diversity and complexity of the Indonesian context, where needs differ greatly within and between central to the sub-national level. During interviews in Ministries it was clear that opinions on needs and suggested priorities differ from different line agencies. For example in MoPW, the development of procurement has been ongoing for many years, and systems have been built up already, and a certain scepticism was manifested towards for example implementing a new e-procurement system since the Ministry already has one in place. In interviews with other Ministries, the expectations were completely opposite, with demands for hands on support and operational tools and trainings.

In the following sections progress towards each of the objectives under the component 1 is described, based on interviews and reports, and assessment of the contribution of ISP3 towards realising the objectives is undertaken.

Objective 1.1 LKPP established a strategic framework to guide its operations, guided by appropriate staffing structures

The ISP3 has not been working extensively with the Executive Secretariat, support has primarily been provided to the recruitment process at the establishment of LKPP. This support has been very valuable to LKPP since it has enabled the organisation to become quickly operational thanks to smooth and efficient screening and selection of applicants. While there are still vacancies, the basic capacity and resources are in place.

Secondly, support has been provided to a strategic workshop undertaken in July 2009, where important issues and development needs arose, related to the whole organisation across deputies. The workshop will be followed up in October 2010, in order to assess the last year's development and progress.

LKPP has drafted a 5 year Strategic Plan consistent with the requirements of all public sector agencies. It also has an annual work plan; both were approved early in 2010. The plans were developed through a collaborative internal process, in which individual work units developed plans that were aggregated into a work plan for the whole organisation. However, the plan is rather operational and mechanical, and does not adequately present the vision of LKPP.

It is assessed that the activities undertaken by ISP3 has contributed to the establishment of a LKPP, both in a practical (recruitment etc) and a strategic perspective. The ISP3 support to in particular strategic workshops are assessed as highly beneficial for the LKPP, since the events have identified challenges in terms of internal coherence and communication. In any organisation starting up operations, the first years will be crucial for "getting things right" and it is the assessment that ISP3 has strived to, and to some extent succeeded in, advising on the course and strategic choices taken by the LKPP.

Beneficiary	Outputs	Activity budget expenditures to date and forecast (AUD) ²	Activities Year 4 ³	Verification of achievements
LKPP, Executive Secretariat	<p>Output 1.1.1 – LKPP recruitment and induction supported as part of organization establishment</p> <p>Output 1.1.2 – Training for new staff developed and delivered</p> <p>Output 1.1.3 – LKPP assisted to develop 3-5 year Strategic Plan</p> <p>Output 1.1.4 – LKPP assisted to develop a strategic approach to operations</p>	<p>Actual 339,828</p> <p>Forecast 80,000</p> <p>Total 419,828</p>	<p>Capacity building for LKPP personnel, focussing upon the provision of general procurement knowledge</p> <p>Strategic plan follow-up workshop</p>	<p>The interviews conducted with LKPP revealed that they viewed the support in the recruitment process as highly valuable and necessary at the early stages of the organisation's establishment. According to interviews the agency is now almost fully staffed.</p> <p>The training of new staff has not been implemented as yet. LKPP has not prioritised staff training in the annual planning, and so far no request has been made to this end. Staff in LKPP comes from different ministries and agencies, and not all of them have a procurement background. Hence, there is a need for basic training to ensure that all staff has sufficient knowledge of procurement and the mandate/function of LKPP. A joint training would also have the benefit of increasing the cross-cutting aspect of the organisation, by targeting staff from all deputies.</p> <p>The LKPP has developed a strategic plan for its development, covering 2010 to 2014. However it is unclear from interviews to what extent and how the concept paper on strategic plan has been used by LKPP during this process. There were signals that ISP3 may be providing support in revising and updating the adopted strategic plan, but this could not be verified at the time of the evaluation.</p> <p>The strategic workshop was held in July 2009, and a workshop report was provided by the international expert facilitating the event. The workshop report shows that several important</p>

² All financial data from Annex 1A to Annual Program Report, July 2010

³ All planned activities from Annex 1 to Annual Program Report, July 2010

matters were brought up and discussed, such as the overall mandate of LKPP, challenges relating to organisational coherence and communication as well as existing capacity gaps at different levels of the organisation.

Objective 1.2 LKPP manages the development of the procurement regulatory framework in an effective and consultative manner

Another key achievement mentioned during interviews has been the development and adoption of the Perpres 54. High political pressure was put on the organisation to deliver during 2009, and this took most of the focus and resources available, during an extended time period. During this time strategic work in other areas was difficult to accomplish and ISP3 struggled to advance on the different outputs.

For LKPP the adoption of the Perpres 54 was a major achievement, and seen as a necessary investment to gain a strong position within government as a reliable regulatory body for public procurement policy. In interviews with other stakeholders, such as BAPPENAS and Indonesia Procurement Watch, the Perpres was seen as a major improvement and achievement by LKPP.

Support to the development of the Perpres was provided by ISP3 through workshops and discussion groups, as well as comments to drafts and ad hoc advice. In interviews no particular item in the Perpres was accredited to ISP3 support, however this seems logical as the international experts rather tried to advice towards regulations based in principles rather than detailed rules.

In terms of capacity development, it is difficult to assess if capacity of staff has been increased as a consequence of the support provided. In general interviewed staff and management at LKPP considered that the support provided to the drafting of the Perpres had been useful and valuable, by “opening” their eyes to broader principles and discussions. It is likely that the support provided to the CPI study has a potential of building capacity, as the process will be managed by LKPP, with advisory support from ISP3 experts. It is harder to assess the possible capacity built by the two studies now being planned, on Business Climate and Sustainable Procurement, since both studies will be outsourced.

Beneficiary	Outputs	Activity budget expenditures to date and forecast (AUD)	Activities Year 4	Verification of achievements
LKPP, Strategy and Policy Deputy	<p>Output 1.2.1 Drafting of procurement law supported through ongoing advice and drafting of Academic Paper</p> <p>Output 1.2.2 LKPP assisted to consolidate Keppres 80</p> <p>Output 1.2.3 LKPP assisted to revise Keppres 80</p> <p>Output 1.2.4 LKPP assisted to draft procurement manuals / guidance notes</p>	<p>Actual 773,652</p> <p>Forecast 613,000</p> <p>Total 1,386,652</p>	<p>Support to be provided for official translation to English and glossary of terms of the new Perpres</p> <p>Support to development of procurement manuals and standard bidding documents (possibly in collaboration with the WB who also have tentative plans to support this activity)</p> <p>Support to studies and research within Business Climate and Sustainable Procurement</p> <p>Support to the implementation of CPI</p>	<p>According to interviews with the legal team at LKPP, the support provided to the revision of Keppres and development of the Perpres, had been very valuable. However, no concrete examples were given on how the international input had contributed to the Perpres, apart from general support and advice in the drafting process.</p> <p>In the current drafting of the separate procurement law, support has been functioning less well. The explanations differ and point in different directions depending on who the evaluators' talked to, wherefore it is not easy to draw a conclusion on why support has not been functioning. It will be important to address this in the TMT. Input to this component is now foreseen to be delivered through</p>

	<p>Output 1.2.5 LKPP assisted to draft national bidding documents</p> <p>Output 1.2.6 Procurement Regulatory Impact Assessment conducted (Business Climate Study)</p> <p>Output 1.2.7 Use of Country Procurement System study completed</p> <p>Output 1.2.8 Deputy Chairman for Strategy & Policy provided with strategic advice</p>		<p>study, exact nature to be defined.</p> <p>Comparative analysis of Perpres, draft Procurement Law and International Organisations' procurement guidelines</p>	<p>ISTEs. This appears to be an adequate solution.</p> <p>Manuals and guidelines supported are not yet in actual use, and will now be revised to take into account the new Perpres. It is unclear why the input provided during 2008 did not further develop into final manuals and guidelines, but it is likely to be due to the new Perpres which was under development.</p> <p>Preparatory work for the Business Climate Study and Green Procurement Study has been undertaken, with submission of discussion papers, ToR and recruitment of international and national experts. So far other concrete output has not been verified, i.e. the studies are not planned in detail, neither in time or activities.</p> <p>According to interviews with LKPP, the support provided to the CPI study has been very useful. The international experts have been giving ad hoc advice and support to the development of indicators, design of pilot and sample for the study. Since the CPI monitors procurement operations and practices, it should be of high interest to the whole organisation and also other stakeholders including AusAID. LKPP has a clear view of what indicators to measure, however the connection to LKPP M&E deputy is nonexistent for the time being.</p> <p>LKPP has so far been unable to identify a suitable candidate available to take the strategic support assignment. As a temporary measure, the support required is being provided by a Senior International Public Procurement Specialist and remains ongoing.</p>
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Objective 1.3 LKPP establishes an effective framework for planning and assessing procurement

During 2009 a long term advisor in M&E was in place during six months, providing input and advice to the M&E Deputy, such as an overview of international practices in M&E of procurement and recommendations for implementation of M&E systems. However, the collaboration was not well functioning, and it was decided to no longer have a long term advisor in M&E. During interviews it did not emerge that outputs had been used to any great extent.

The M&E Deputy is not involved or engaged in the work undertaken in the CPI study, due to reasons which are not entirely clear. ISP3 has been advocating for the connection between M&E and the CPI study, but so far the interaction between the M&E system and the CPI study appear to be minimal. According to the evaluators this is a mistake, since the data being collected in the CPI study is directly relevant to M&E of the procurement system, and there is a risk of duplicating efforts. To do so would risk both the legitimacy and the image of LKPP as a coherent organisation, as it would burden spending entities to have double reporting on more or less the same information.

The M&E Deputy has been difficult to support from ISP3, according to interviews both with the ISP3 team and TMT members from LKPP. TMT members and LKPP in general acknowledge

that the organisation has not always been capable of benefitting of the high level support provided.

Beneficiary	Activities/Outputs	Activity budget expenditures to date and forecast (AUD)	Activities Year 4	Verification of achievements
LKPP M&E Deputy	<p>Output 1.3.1 – LKPP assisted to develop a monitoring and evaluation framework for public procurement</p> <p>Output 1.3.2 – LKPP assisted to develop a framework for procurement planning</p> <p>Output 1.3.3 – LKPP assisted to develop systems for ensuring availability of procurement-related financial data</p>	<p>Actual 0</p> <p>Forecast 0⁴</p> <p>Total 0</p>	Support to framework for procurement planning, output 1.3.2.	<p>To date no support has been provided from the activity budget of ISP3 to the M&E Deputy.</p> <p>In the last year of ISP3 support, it has been requested to support the development of framework for procurement planning. Draft ToR has been developed in collaboration, and it is still uncertain if support will take place or not, as clarifications on scope and actual content of support needs to be undertaken.</p>

Objective 1.4 LKPP establishes an HR framework which effectively supports the professionalization of procurement

Prior to the establishment of LKPP, and the development of an HR framework, no comprehensive strategy or policy existed for the development of procurement capacity in Indonesia. While procurement is still considered to be an ad hoc job (civil servants get appointed to sit on Procurement Committees, alongside their regular job), there is now a movement towards professionalization of procurement, as can be seen in the new Perpres 54 with dedicated ULPs.

The HR Deputy has worked extensively with ISP3 experts, and several outputs have been achieved and are planned for implementation (see below in table). These outputs are assessed likely to contribute to the development of a professional procurement environment, as well as increasing capacities in spending entities. The main challenge for LKPP, and the Indonesian Procurement System, will now be the roll out of the activities in the HRD Master Plan. The success of the plan will depend on how it is ultimately financed and delivered, and at the moment this is not clear.

According to interviews with staff in HRD, they feel a clear ownership of the outputs produced. They also report to be in need of further support to be able to implement the Master Plan, and feel uncertain about the possibility to manage this process themselves. Hence, the assessment is that although ISP3 has contributed to the development of capacity, the approach could have been better adapted to ensure that staff has the capacity and ability to implement the developed plan without external support.

It was also discussed during interviews if the Master Plan was realistic and adapted to the context, or if it was a bit too ambitious at times. The opinion of the HRD was that some changes and revisions were needed, in order to be fully applicable in the Indonesian context, but on the whole the strategy laid out in the Master Plan is considered relevant. It has not been possible to verify if the Master Plan will be endorsed as a formal document or remain a working document as now.

⁴ In the Annex 1 in Annual Program report, 120.000 AUD is allocated to component 1.3.2, but it the budget for the Annual Program, Annex 1A, this is not allocated. During interviews the procurement planning was mentioned, so it is assessed likely that the activity will go ahead.

Beneficiary	Activities/Outputs	Activity budget expenditures to date and forecast (AUD)	Activities Year 4	Verification of achievements
LKPP, Human Resources Deputy	<p>Output 1.4.1 LKPP assisted to design competency study</p> <p>Output 1.4.2 LKPP assisted to develop Human Resource Development Master Plan</p> <p>Output 1.4.3 LKPP assisted to develop curriculum for Essential Core of Learning</p> <p>Output 1.4.4 LKPP assisted to develop accreditation system for trainers and training institute</p> <p>Output 1.4.5 LKPP assisted to develop Training of Trainers Program</p> <p>Output 1.4.6 LKPP assisted to develop accreditation scheme for ULPs</p> <p>Output 1.4.7 LKPP assisted to develop curricula for Advanced Core of Learning</p> <p>Output 1.4.8 LKPP assisted to develop career path and rewards structure for procurement professionals</p> <p>Output 1.4.9 LKPP assisted to conduct appraisal of the Essential Core of Learning</p> <p>Output 1.4.10 LKPP assisted to develop a marketing strategy to promote the professionalization of procurement</p> <p>Output 1.4.11 Deputy Chairman for HRD provided with strategic advice</p>	<p>Actual 551,474</p> <p>Forecast 681,609</p> <p>Total 1,233,083</p>	<p>Technical assistance to complete the Master Plan.</p> <p>Implementation of activities in the HRD Master Plan. The prioritization and planning of the activities will be ongoing.</p> <p>Development of training to be undertaken by procuring entities and delivered by training providers. Development of an advanced core of learning & short training courses to meet specific needs of procuring entities.</p> <p>Further development of a manual for the use of competence frameworks.</p> <p>Continue inputs on a short- term basis, as required by and agreed with LKPP Deputy Chairman, HRD.</p>	<p>In interviews with LKPP, the HRD Master Plan has been reported as one of the main achievements of the ISP3 support. On an overall level, the HR Deputy, is the department where ISP3 and LKPP have managed to build a close working relationship, and the support has been highly valued. As the list of outputs as well as budget allocation suggests, the HRD deputy has been provided with a significant amount of support.</p> <p>Most of the concrete outputs have been developed by ISP3 consultants in collaboration with the HRD staff, and according to interviews staff feels highly engaged and have a sense of ownership of the Master Plan. The Master Plan is an ambitious document outlining the strategy for professionalization of procurement, as well as the roll-out.</p> <p>The support provided to the curricular development has also been highly appreciated. The training is yet to be implemented, but a roll-out plan is being discussed. It is however still a bit unclear how roll-out will work, and how it will be financed, as well as what the role of LKPP should be in that process. Currently LKPP staff also provides training, although the organisation is primarily a policy body. The link to competency frameworks is being developed, with recruitment, certification and career path development for procurement professionals.</p> <p>According to interviews the success factors for the support have been high level expertise and broad international experience among the involved experts. The staff in HRD assess the knowledge gained as sustainable and highly beneficial for the future development of the HR area. During interviews it was also clear that some adjustments are foreseen from LKPP's side, since certain aspects of the plan were assessed as unrealistic or not sufficiently adapted to context.</p>

Objective 1.5 LKPP establishes an effective and responsive framework for complaints handling

The LKPP does not have a formal authority as complaints handling body, but an advisory role. As could be seen in the quantitative data on requests coming into LKPP, the amount seems to be increasing and during early 2010 on average 28 complaints was received per month, probably due to the increasing knowledge of LKPP as an institution. The increase also shows the risk that LKPP becomes overburdened by procurement complaints, as investigations takes considerable time and resources. In interviews with BAPPENAS the responsiveness to complaints was mentioned as success criteria for LKPP in order to not cause delays in the system.

Apart from the support to the develop Standard Operating Procedure (SOP) for complaints handling, the ISP3 experts have not been working within this Legal and Complaints Deputy. In the coming year support will be provided to revision of procurement audit manuals and then pilot testing of the manuals. This work will be done in collaboration between LKPP and *Badan Pemeriksa Keuangan Pembangunan* (BPKP), where BPKP will be responsible for the actual audits. As an example of the challenges facing LKPP as it is being established, it took a long time to find a solution to implement this activity, since it was not clear who would be responsible for procurement audit and what the respective roles of BPKP and LKPP were.

It is uncertain whether ISP3 has contributed significantly to the capacity of the Legal and Complaints Deputy, since the activities have been so few, and strongly output oriented.

Beneficiary	Activities/Outputs	Activity budget expenditures to date and forecast (AUD)	Activities Year 4 (planned and yet to be approved by PCC)	Verification of achievements
LKPP, Legal and Complaints Deputy BPKP	<p>Output 1.5.1 LKPP assisted to develop SOP for complaint handling</p> <p>Output 1.5.2 LKPP assisted to develop a training module for expert witnesses</p> <p>Output 1.5.3 Deputy Chairman for Legal Affairs and Complaints provided with strategic advice</p> <p>Output 1.5.4 – LKPP and BPKP assisted to develop manuals for procurement auditing</p>	<p>Actual 385,432</p> <p>Forecast 108,483</p> <p>Total 493,915</p>	<p>Update the current procurement audit manual and curricula.</p> <p>Updated manual for IT-based procurement system.</p> <p>Evaluation of the manual based on pilot implementation.</p>	<p>The complaints handling procedure has been developed, and the support provided was assessed by staff and management as valuable and relevant. It is however a bit unclear whether the SOP is actually in use, or if it is just partly in use.</p> <p>A scoping study has been undertaken on internal procurement auditing, and after a long period of consultations it has now been decided that BPKP will be supported by ISP3/LKPP in reviewing and developing manuals for procurement audits.</p> <p>In other planned outputs, no achievements have been made, due to change in priorities in LKPP or lack of interest from the Deputy.</p>

Findings Outcome 2 Strengthened procurement processes in targeted provinces and districts.

The new Perpres 54/2010 stipulates that before 2014 a ULP in each government agency shall be established as a permanent part of its structural organization. ULP is supposed to be a pool of professional procurement officers. It would replace the role of the current ad hoc tender committees and is aligned with the policy of professionalizing procurement.

With support from ISP3 in Aceh Besar, a ULP has been established within the Development Department and not as a separate entity. The work has strong political support from the Bupati, and is progressing. In Aceh Barat, work is being phased out due to lack of political support and little progress.

In interviews with involved consultants and counterparts at the district level, the reasons non achievements were discussed. While there are a number of factors and contextual difficulties, below the main barriers to change are outlined.

With open and fair competition the tendering entity will obtain what is called “best value for money”. It also means that a bidder may not be selected as the winner though it submits the lowest price as it has not fulfilled other requirements. As the technical capability of local contractors in the remote districts is in general quite low, the local contractors have difficulty competing for contracts. Therefore, there is a tendency from local district contractors to try to limit the participation of other contractors from outside their districts in procurement of certain lower value.

The principle of best value for money in procurement in remote districts is often circumvented in different ways, both by pre-defined bidding processes (winner pre-selected and tender procedure proforma) and by plain corrupt practices. For example, it was reported common for MPs and higher government officials to demand a certain percentage be paid into private accounts before releasing earmarked development funds. Other problems raised in practicing good procurement was specific for Aceh province was the many requests from ex-combatant of the Free Aceh Movement to have their portion in development after having lived in jungle for many years.

These contextual factors mean that working on changing procurement operations and procedures becomes highly political and directly affect established power structures. It also means that any “champions of change”, both at management and operational level, are put at considerable risk by imposing free and fair procurement.

Objective 2.1 Aceh Barat effectively operationalises a central procurement unit in a manner consistent with LKPP guidelines

Beneficiary	Outputs	Activity budget expenditures to date and forecast (AUD)	Activities Year 4	Verification of achievements
Aceh Barat district	<p>Output 2.2.1 - Exchange of letters signed with Aceh Barat</p> <p>Output 2.1.2 – Structure and Standard Operating Procedures designed for ULP in Aceh Barat</p> <p>Output 2.1.3 – Human resource capacity supported to perform required functions</p>	<p>Actual 208,058</p> <p>Forecast 8,299</p> <p>Total 216,357</p>	<p>Workshop to be held during July 2010 to close-out this activity.</p> <p>ISP3 will submit a close-out report to the TMT on the successes & failures of the activity and lessons learned for the future.</p>	<p>The team did not meet with the Bupati Aceh Barat, but according to the ISP3 National Procurement Specialist posted in Aceh Barat whose contract finished on 30 June 2010, there was no longer political support from the Bupati Or vice Bupati for reform. The program tried to reengage by providing targets for certain reform steps to be undertaken, but these were not met.</p>

Objective 2.2 Aceh Besar effectively operationalises a central procurement unit in a manner consistent with LKPP guidelines

Beneficiary	Outputs	Activity budget expenditures to date and forecast (AUD)	Activities Year 4	Verification of achievements
Aceh Besar district	<p>Output 2.2.1 - Exchange of letters signed with Aceh Besar</p> <p>Output 2.1.2 – Structure and Standard Operating Procedures designed for ULP in Aceh Besar</p> <p>Output 2.1.3 – Human resource capacity supported to perform required functions</p>	<p>Actual 53,162</p> <p>Forecast 56,407</p> <p>Total 109,569</p>	<p>ISP3 technical assistance has been requested as follows:</p> <p>1 Assist the Regency to improve the OD Plan (roles, responsibility, structure and incentives.</p> <p>2 Assist the Regency to improve the SOP, especially procurement planning and evaluation.</p> <p>3 Capacity strengthening of the Regency staff.</p>	<p>In interview with the Bupati Aceh Besar and his core procurement team it was clear that assistance given by ISP3 was of a very valuable help. It was mentioned that just to have someone external in place, contributed to a higher level of accountability from all involved.</p> <p>A major challenge in establishing an ULP is the lack of formal position as procurement officer, which means there are no career paths or incentives to engage. Furthermore, it puts civil servants at risk of political and external pressure when awarding contracts, as well as scrutiny by accountability mechanisms. All in all, it means that procurement officer is not a very attractive position.</p> <p>The Bupati also wished for having local preference made possible as the local contractors would not be able to compete in open and fair manner due to their lack of skills and experiences. While this is not aligned with good procurement, it illustrates well the challenges facing procurement at the sub-national level.</p>

Judgement Criteria

In the below sections, an assessment of ISP3 is made against the evaluation criteria and evaluation questions (EQ). For answers to each EQ in the ToR, please also see Annex B with overview of answer per EQ and Criteria.

Relevance

It is the assessment of the evaluators that the support provided to LKPP by ISP3 has been highly relevant and in line with GOA and GOI policies, guidelines and partnership agreements. The use of country systems and more specifically procurement systems is specifically mentioned in the Jakarta Commitment, which Australia has signed. Support to the main body responsible for procurement policy and reform therefore has a clear rationale and value.

LKPP is a new institution, and as such still has much to prove to the outer world in terms of effectiveness and functionality. To this end, the support provided by ISP3 has been assessed as relevant to the needs of the organisation. In particular the process oriented approach and flexibility to meet needs in a timely manner, has enable support to be provided when the needs arose. This has been a clear asset in the implementation of ISP3, and LKPP has benefitted from this approach. However, it has also meant that the cross-cutting perspective has been weak, as support has been provided in task related manner to each deputy rather than as a part of an overall strategic framework for the organisation as a whole.

Effectiveness

In terms of the achieving the overall purpose and outcomes of the ISP3, it is still too early to assess the success of the program. It is only since the creation of LKPP that support has been possible to deliver as intended, i.e. around two years. During this time, LKPP was initially preoccupied with all the practicalities of setting up a new organisation, from recruitment to infrastructure, meaning that the support provided by ISP3 was difficult to absorb. As mentioned under relevance assessment, the flexibility of ISP3 was beneficial, as the programme could provide support to the recruitment processes and other immediate needs as they arose.

In addition, it can be concluded that the objectives of ISP3 are highly ambitious and somewhat unrealistic in a four year program with a newly established institution. Overall, the effectiveness of ISP3 support has to a large extent been dictated by the capacity of LKPP to absorb and benefit from the advice and support provided. Upon establishment of LKPP, the LKPP management had as a demand that support was to be provided through a process, rather than output, driven approach, meaning that LKPP took a strong ownership the programme.

The effectiveness of ISP3 has been hampered by the fact that this ownership has not always been followed through by LKPP, and it is the evaluators' assessment that the organisation has not made maximum use of the support provided. This assessment has been confirmed in interviews with the TMT in LKPP, where the problem has also been acknowledged. While ISP3 has contributed to develop the capacity of LKPP staff, the impact of the support could have been higher if LKPP as a whole had been better at identifying needs and allocating resources to work with consultants.

The so called process oriented approach is ideally led entirely by the beneficiary, with the expert providing advice and feedback to the decisions taken and outputs produced by the organisation. This has rarely been the case in ISP3/LKPP collaboration, and to the evaluators' understanding the work has rather been undertaken in a participatory manner, with most outputs being produced by ISP3 experts through consultations with LKPP staff (with the exception of legal drafting). Hence, the programme is in reality still rather output driven, although outputs are developed in close collaboration and consultation with LKPP.

The quality of international and national consultants and experts in ISP3 has been very high, and most ISTE's have experiences from procurement reform in other countries which has been strongly appreciated by counterparts in LKPP.

A beneficial unintended result of ISP3 is the establishment of the TMT. The TMT is a group consisting of representatives from all Deputies and the Executive Secretariat, as well as ISP3 and AusAID representatives. In the TMT different proposals for support are discussed and prioritised, primarily by LKPP TMT members. The TMT has developed into a forum for discussing and prioritising support provided not only by ISP3 but also other development partners.

Efficiency

Implementing a process oriented approach is rather costly per output, as it is highly dependent on the supported organisation's ability and willingness to benefit from the support, and also actively engage and work together with the expertise provided. It is also very hard to measure the efficiency or cost effectiveness, since the outcome of increased capacity is intangible and difficult to quantify.

In the case of ISP3 costs are presented in overall outputs and not in activities. While this illustrates well the cost of a particular achievement, it does not make the costs behind clear. For some of the outputs achieved, the costs have been very high, in particular where progress has been moderate, such as support to the legal/regulatory framework and in particular the M&E support.

Below an overview of actual and planned spending from the activity budget per objective is presented (all amounts in AUD, from Annex 1A, Annual Program Report, July 2010), from the activity budget.

Table 1 Actual and planned expenditures of activity budget, Component 1

Objective	Actual Cost to 30/6/10	Estimated Ongoing Cost	Total Cost
1.1 Establishment of Strategic Framework	339,828	80,000	419,828
1.2 Procurement regulatory Framework	773,652	613,000	1,386,652
1.3 Planning and Assessing Procurement	0	0	0
1.4 Established HRD framework	551,474	681,609	1,233,083
1.5 Complaints handling/procurement audit	385,432	108,483	493,915
Total Component 1	2,050,386	1,483,092	3,533,478

The initial M&E support was provided by a long term advisor, and is not included in the activity budget. The costs of the LTA M&E amounted to nearly AUD 200.000, and seen in relation to that the M&E Deputy did not manage to benefit from the support, the efficiency is assessed to have been very low.

The responsibility for efficient use of resources is of course shared between the ISP3 and LKPP, in particular with the joint management set-up and process oriented approach. AusAID is of course also responsible, as a provider of funds, to adjust the support given to the capacity to absorb.

According to the evaluators there have been too many instances in the program where LKPP has not appreciated a particular consultant or adviser, and has chosen not to engage. If this had happened once or maximum twice, it could have been considered a coincidence, but there seems to be a pattern of possibly excessive demands from LKPP's side. This represents a considerable waste in the program, and it needs to be made sure this does not happen in future support.

In the reporting from ISP3 the activities generating the costs is not available, therefore it is difficult to assess for example the number of missions, the ratio of costs versus fees for short term experts, workshops conducted elsewhere etc, in short, what exactly the spending entails. Broken down into outputs the picture does not get much clearer, for example app. 320.000 is reported as actual cost of support to Procurement Law, which has not led to any significant results as yet according to interviews with LKPP. Another example is the Business Climate and Sustainable Procurement studies, where AUD 110.000 has been used for preparatory work, which in the opinion of the evaluators is rather excessive.

As mentioned a process oriented approach is often in itself costly, and does not easily translate into concrete value for money outcomes. This is acknowledged, and has been factored in when assessing efficiency. However, it is the opinion of the evaluators that the availability of considerable funds has not been beneficial to the implementation of the programme, as it has not fostered an environment where priorities had to be made based on needs and available resources. The assessment is can for example be evidenced by the earlier examples of costly support which have shown little results, neither in capacity of individuals, nor products delivered.

The overall budget has remained unchanged for ISP3, despite severe delays and slow start of the program. According to the Annual Report 2009/2010, it is planned to spend 42% in of the activity budget with only 10 months to go in the current program (see table above, only Component 1). While it is acknowledged that ad hoc changes and adjustments have been made during the implementation, for example by delaying implementation of certain activities and objectives, no demand or suggestion for major overhaul or redesign was done by AusAID, LKPP or the MC. It is now planned for spending the remaining budget in coming months, something which in the evaluators' opinion seem unrealistic and likely to be inefficient.

It is also assessed that the management team is rather substantial, in relation to the limited scope and scale of the program, in particular due to changes during implementation. For the last year of implementation LKPP and ISP3 should be careful not to overspend, and provide/use support which in the end will not be sustainable due to a too high volume of support. In a process oriented approach the responsibility for managing the work lies with the beneficiary and the LKPP will need to avoid/manage these risks more proactively in the future. If an activity is not providing value for money, it will be important to either adjust and improve, or terminate the activity.

Sustainability

Sustainability in general assessed to be adequate with capacity development of individuals who remain in LKPP. There are no signs of major staff turnover or immediate risks of losing the capacities acquired. However, ISP3/LKPP need to develop/work on systems for knowledge management and ensuring not only individual but also institutional capacity is built. Currently no knowledge transfer systems are in place in the organisation, which makes it vulnerable to changes and staff turnover.

Component 2 results in the districts is not assessed sustainable, as it is both dependent on political support and on external support to have any chance of sustainability. The lack of sustainability is mainly due to external factors beyond the influence of any program, and as such the work in the districts can be regarded as a high risk endeavour, which has provided valuable lessons learned, but stands little chance of more long term and wider impact.

Monitoring and Evaluation

The M&E system has only been implemented during 2010, and so far one monitoring report has been completed. The M&E report adequately describes achievements, but further tracking will be necessary to assess progress.

The evidence provided in M&E reports is mainly qualitative, with efforts to triangulate and verify results and progress by different sources. This approach is assessed relevant and valid practice in a program such as ISP3. Some quantitative information exists, in terms of LKPP interaction with other stakeholders.

Since no M&E system has been in place until 2010, learning has been more ad hoc and based on discussions and dialogue within TMT, rather than structure use and analysis of M&E information.

Impact, Gender Equality, Analysis and Learning

The evaluation criteria of Impact, Gender and Analysis and learning were not in focus for this evaluation, as per terms of reference and evaluation questions. However, it is important to note any relevant findings, wherefore a few words on impact will be mentioned.

The criterion of impact is relevant in the context of the work which has been undertaken at the sub-national level, in Aceh Barat and Aceh Besar. The objectives of the intervention has been rather straight forward, with the establishment of ULPs, but risks involved due to the highly politicised environment was not acknowledged or understood at the time of design. On a personal level, the individuals involved in the work in the districts, have tried to alter power structures and vested interests, to achieve more accountable procurement procedures. This entails challenging an established modus operandi, which in itself generates a lot of resistance and can be a personal risk to those involved. It is therefore highly recommended that any future initiative in at the district or provincial level takes these risk factors into account, and weighs the pros and cons of rather staffing an intervention with non local staff.

Evaluation Criteria Ratings

After consultations with AusAID, it has been agreed to undertake the quantitative rating of the evaluation criteria in relation to two objectives: 1) to assess the performance of the program for the whole period; 2) to assess the performance of the program based on the last 1.5 years due to the changes at the institutional level as stipulated above. The last objective may provide adequate justification in decision making processes of AusAID future support in procurement reform. Rationale for the rating of each evaluation criteria is included in the text sections above and is not repeated in here.

Evaluation Criteria Ratings, entire program period

Evaluation Criteria	Justification	Rating (1-6)
Relevance	High relevance of support both at policy level and organisational/individual level	5
Effectiveness	Moderate effectiveness due to unrealistic objectives and low absorption capacity	3
Efficiency	Low efficiency, few signs of significant attempts to adjust to low absorption capacity, delays in program or other changes.	2
Sustainability	Moderate sustainability, individual capacity built but more uncertain if institutional capacity is being developed.	3
Gender Equality	Excluded in ToR	-
Monitoring & Evaluation	M&E framework assessed relevant and valid, but took two years to put in place, which is assessed inadequate.	3
Analysis & Learning	Excluded in ToR	-

Evaluation Criteria Ratings (last 1.5 years of implementation)

Evaluation Criteria	Justification	Rating (1-6)
Relevance	High relevance of support both at policy level and organisational/individual level	5
Effectiveness	Moderate effectiveness due to unrealistic objectives and low absorption capacity. Effectiveness in last 1,5 years has been considerably improved	4
Efficiency	Low efficiency, few signs of significant attempts to adjust to low absorption capacity, delays in program or other changes.	3
Sustainability	Moderate sustainability, individual capacity built but more uncertain if institutional capacity is being developed.	4
Gender Equality	Excluded in ToR	-
Monitoring & Evaluation	M&E framework assessed relevant and valid	5
Analysis & Learning	Excluded in ToR	-

Rating scale:

Satisfactory		Less than satisfactory	
6	Very high quality	3	Less than adequate quality
5	Good quality	2	Poor quality
4	Adequate quality	1	Very poor quality

Conclusions and Recommendations

In the following section the conclusions and lessons learned are being discussed. The lessons learned pertain both to ISP3 as such and to procurement reform seen in a broad perspective. Subsequently, recommendations for future AusAID support to the procurement area have been outlined. At the end of the section, a summary of recommendations is provided.

Conclusions and Lessons Learned

It is too early to assess the purpose, results and impacts of ISP3. The program has only been running effectively during the last 1.5 years, and from the outset the outcomes and objectives were unrealistic, in particular when taking into account that the main counterpart was just created. The creation of a new public agency is a major undertaking in any country or any field, and not least so in a country and context as complex as procurement reform in Indonesia. The overall assessment is therefore that ISP3 has been as effective as could be expected under these circumstances. However, the Review Team opinion is also that the same results could have been achieved at a lower cost, by adjusting the amount of support to the absorption capacity of LKPP, rather than to available budget.

It is the assessment of the evaluators that the support provided to LKPP at its establishment was “too much too early”, which is evidenced by the moderate effectiveness and low efficiency of the program.

Thorough adjustments to the timetable and budget should have been made at an early stage of phase two, since the LKPP has not been able to allocate sufficient resources to benefit fully from the high level support which undoubtedly has been provided by ISP3. During the last year and a half, effectiveness has been picking up, and the LKPP has benefitted concretely from several interventions by ISP3, in areas such as professionalization of procurement, strategic planning and development, and the CPI study.

The need for continued support

Overall, there is a strong wish for continued support to LKPP and procurement reform, expressed both from LKPP, and from external stakeholders such as BAPPENAS. It is acknowledged within the LKPP and among stakeholders that much remains to be developed and implemented before the LKPP can be considered fully operational. The ISP3 support has been considered as highly valuable to this process.

In terms of needs, considerable challenges lie ahead in the planned procurement reform. The following areas will be crucial in the coming years, if reform is to have a real impact on how procurement practices and operations work:

- The Procurement Law – the separate procurement law is intended to clarify and consolidate the legal framework. Today conflicting regulations exist, for example in sectors specific legislation on procurement, and in decentralised regulations. A national procurement law will clarify this situation.
- The creation of ULPs until 2014 – this will be a major change from current practice with ad hoc procurement committees, to professional procurement bodies. It will require organisational development, skills development of procurement professionals, establishment of incentive systems and career paths etc. in order for ULPs to function.
- The roll-out of e-procurement– e-procurement is to be used by all state agencies by 2012. A system has been developed and piloted; the roll-out phase is now beginning.
- Roll out of legal framework, adaptation and development of guidelines and manuals to support sectors and line agencies adapting the new regulatory framework is assessed necessary.
- The use of country systems –the new Perpres 54 clearly makes mandatory the use of national procurement systems for channelling external funds, and it is also a part of the Jakarta Commitment. To the evaluators’ knowledge, so far none of the

development partners or banks fully utilise the Indonesian framework, with considerable scope for further progress in this area. The CPI study now being planned by LKPP has the potential to influence this situation, if it provides valid and reliable information of the functioning of the procurement system.

In these reform activities, the LKPP play a central role, by leading and guiding the process. The assessment is that the organisation is right now at a decisive water mark after a couple years of existence, when expectations will start to rise. The mandate of the LKPP is to regulate and provide policy for procurement, but not enforce, which makes it dependent on others, such as audit institutions, KPK, Inspectorates-General, for enforcement. Hence, the LKPP will need to build strong alliances and partnerships, both with “client” institutions (spending entities) and partners such as the aforementioned institutions, in order to have any real impact on the procurement system. This process is under way, and overall it is assessed that the organisation is on the right track even though much remains to be done.

Recommendation on continued support

If AusAID wishes to continue giving targeted support to procurement reform at the national level in Indonesia, the recommendation is to extend the current program with LKPP as the main stakeholder.

The support is well in line with the Jakarta Commitments and Paris Declaration/Accra Agenda for Action, by working in partnership with GOI to strengthening the country systems for procurement. The LKPP is the main government body responsible for procurement reform throughout the country, and while it is acknowledged that real changes are needed at the procuring entity level in order to have an impact on value for money, these changes need to be guided by the LKPP’s policies and guidelines.

The rationale for suggesting an extension rather than a new program, is that LKPP has only been operational for a little more than a year and a half, and for AusAID to ensure “return on investment”, further targeted support is assessed to be necessary. At the current stage in the development of LKPP it would not be beneficial to move the support into a bigger framework, since LKPP is still not very strong as an institution and procurement reform work risks becoming marginalised in a larger context without careful preparation.

Furthermore, it has been a long and arduous road to build up the current cooperation and gain mutual trust, which would need to be restarted in another program. Moving support to another program would be likely slowing the pace of activities at a time when progress has been on the rise. Furthermore, the quality of the advice has been a major success factor in the cooperation. The high level experts provided by the MC, CKP, would not be readily accessible to any contractor, wherefore an extension with the current contractor should be a preferred option if possible.

LKPP wishes for support to continue in a separate program, however it is clear that ISP3 has been unique in so far that it has been very flexible and adaptive to the organisation’s needs on an ad hoc basis. This has been beneficial as the organisation started up and became operational, but for future support it would be beneficial with a clearer and more coherent strategy for the intervention.

In line with the priority of AusAID to phase out minor programs or include them in larger scale sector interventions, it is therefore suggested that any extension is only of medium term duration (18-24 months), and that it is made an explicit objective to either transfer support to LKPP and procurement reform to another AusAID program, if still assessed relevant⁵. If support to LKPP is to be phased out after the extension, an exit strategy should be developed.

⁵ The evaluation team met with relevant AusAID programs during the field work, and the assessment was that mechanisms such as the GPF or the AIPEG could be suitable vehicles for support to national level procurement reform in the future.

Recommendation 1 - Continued support after end of ISP3

The recommendation is to extend the current program with LKPP as the main stakeholder. It is suggested that any extension is only of medium term duration (18-24 months), and that it is made an explicit objective to either transfer support to LKPP and procurement reform to another AusAID program. If support to LKPP is to be phased out after the extension, an exit strategy should be developed.

Suggested set-up of continued support

The overall activity budget for an extension should be limited, in order to ensure that sufficient absorption capacity exist in LKPP, and also to promote proper prioritisation and value for money advice. The waste which has been seen in the current ISP3 must be avoided.

As mentioned, it is suggested that the current MC is suggested an extension of the ISP3 program, to preserve the relations and also minimise transactional costs. It is also the assessment that the current team is highly qualified, wherefore it is assessed unlikely that another contractor could provide a better team.

The budget for an extension should be smaller than ISP3 (currently app. AUD 2.5 million per year). It is suggested that the management team should sit in LKPP, and be more directly involved in content advice as well. The team management set-up should be limited to:

- ✓ 1 LTA providing advice, also acting as team leader. 1 full time program assistant, 1 full time administrative/financial assistant
- ✓ LKPP to provide office space and furniture, logistic support etc.
- ✓ Other expertise provided by International and National STE's, on a similar basis as under the current ISP3

The organisational set-up should be the same as now, with the TMT suggesting priorities and discussing implementation, and the PCC as a decision making body. A stronger focus must be put by LKPP on making best use of the advice provided, and the time when experts are available. This is a joint responsibility of the whole organisation, and in particular the TMT.

The TMT and the PCC should also be fully transparent in terms of budgets and available resources, in order to build capacity in planning and prioritisation among the TMT members. As mentioned, prioritised areas of support should be defined by TMT and PCC, but particular focus should be put on the following aspects:

- ✓ Preparing LKPP and TMT for integration in a larger framework programme, such as the AIPEG or GPF, by building capacity to prioritise in line with strategies
- ✓ Support to building relations and cooperation with other key stakeholders in procurement reform, to prepare and support policy implementation (see next recommendation)
- ✓ Finalising/sustaining results achieved in HR Masterplan and support the Compliance and Performance Indicator Study
- ✓ Ensuring sustainability of outcomes throughout the organisation, through establishment of systems for knowledge transfer and institutionalisation of capacities built.

It will be important for ISP3 to also focus support on the organisational development of LKPP, with internal communication and coherence, overall strategy etc. Currently there is a growing realisation in the organisation that work is being done too much in "silos", with communication and consultation externally rather than internally. These are leadership and management matters which need to be dealt with, by for example strategic leadership training and coaching.

Recommendation 2 - Set-up of extension

The overall activity budget for an extension should be limited, in order to ensure that sufficient absorption capacity exist in LKPP, and also to promote proper prioritisation and value for money advice.

An extension with the current contractor should be a preferred option if possible, to reduce transaction costs and loss of momentum.

It is suggested that the MC management team should sit in LKPP and the organisational set-up should be the same as now, with the TMT suggesting priorities and discussing implementation, and the PCC as a decision making body.

A stronger focus must be put by LKPP on making best use of the advice provided, and the time when experts are available. The TMT and the PCC should be fully transparent in terms of budgets and available resources, in order to build capacity in planning and prioritisation among the TMT members.

Particular focus should be put on the following aspects:

Preparing LKPP and TMT for integration in a larger framework programme, such as the AIPEG or GPF, by building capacity to prioritise in line with strategies

Support to building relations and cooperation with other key stakeholders in procurement reform, to prepare and support policy implementation (see next recommendation)

Finalising/sustaining results achieved in HR Masterplan and support the Compliance and Performance Indicator Study

Ensuring sustainability of outcomes throughout the organisation, through establishment of systems for knowledge transfer and institutionalisation of capacities built.

Support after suggested extension

A main objective of the suggested extension of ISP3 is to make LKPP sufficiently strong to lead national procurement policy development, and to some extent, implementation. It should therefore be the aim that support “post” ISP3 shift focus to improvement of the actual procurement process, throughout the procurement cycle in Indonesia. This support will per definition need to be decentralised, and directed towards the actual procuring entities and other stakeholders in the process, rather than to LKPP as a national policy institution.

This evaluation has not had the possibility to look deeper into the needs of the procurement sector, but it is clear that significant challenges remains in all stages of the public procurement process, from planning and budgeting, tendering and award, to contract management and execution.

The focus of future support to procurement reform in Indonesia should therefore target real value for money and service delivery outcomes, by involving spending entities, contractors, accountability mechanisms and civil society as necessary.

The process of planning the possible future support should form part of the exit strategy for ISP3, ensuring that LKPP is directly involved as the key stakeholder of procurement reform.

Recommendation 3 – Support after suggested extension

It should be the aim that support “post” ISP3, shift focus to improvement of the actual procurement process, throughout the procurement cycle in Indonesia. This support will per definition need to be decentralised, and directed towards the actual procuring entities and other stakeholders in the process, rather than to LKPP as a national policy institution.

Recommendations for the current phase of ISP3

For the remaining period of the current ISP3, the main recommendation is to avoid overspending with the risk of wasting resources. It is not assessed realistic to spend 42% of the total activity budget in the remaining 10 months of the program, so if possible funds should be transferred over to an extension.

In terms of activities, the support has already been planned and approved by PCC, and it will be up to TMT to decide if support should be scaled down, or if activities need to be removed. The assessment of the review team is that support could be provided to all the chosen activities, but with lesser (more realistic) resources allocated. A discussion should also be held as soon as possible on the support planned by the WB (HR Master Plan Implementation) and the ADB (Capacity Development of LKPP staff) so as to ensure coherence and synergies, rather than overlaps and misunderstandings. These discussions need to be led by LKPP, see further recommendation in next section.

Recommendation 4 – Remaining implementation current ISP3

For the remaining period of the current ISP3, the main recommendation is to avoid overspending with the risk of wasting resources. It is not assessed realistic to spend 42% of the total activity budget in the remaining 10 months of the program, so if possible funds should be transferred over to an extension.

Coordination of support

While other development partners are also involved in the procurement reform area, ISP3 has so far been the only program supporting the establishment and development of LKPP as the institution responsible for driving procurement reform in Indonesia. This is about to change, with the ADB and the WB planning direct support to LKPP, thus it will be important to increase efforts in donor coordination. The working group on procurement would be a good forum for this, and the coordination work needs to be led by LKPP, with full transparency to all involved. Otherwise there is a risk that the LKPP loses credibility as a viable counterpart, ready to take ownership of the support provided.

There is also support ongoing to procurement reform within other AusAID programs, for example in the Indonesia Infrastructure Initiative, INDII, an assessment of the need for improvement of procurement systems and capacities has been developed, and in loan programmes procurement capacities are a challenges and priority. The ties and synergies between these types of activities in sector programmes and the support provided at national level should be strengthened; currently coordination is undertaken on an ad-hoc basis between personal connections, rather than as a part of an overall strategy to support procurement reform in Indonesia.

Recommendation 5 – Coordination of support from development partners

ADB and the WB are planning direct support to LKPP, thus it will be important to increase efforts in donor coordination. The working group on procurement would be a good forum for this, and the coordination work needs to be led by LKPP, with full transparency to all involved.

The ties and synergies between ongoing support to procurement reform within other AusAID sector programmes and the support provided at national level should be strengthened.

ANNEX A

Itinerary - Independent Evaluation of Indonesia Strengthening Public Procurement Program (ISP3) (23 August – 1 September 2010)

Time	Location	Meetings/Interviews	Objective/Topics	Remark
Sunday, Aug 22nd	19.00 - 21.00	Internal Team Meeting in Hotel lobby	Details of Arrival: 1) Karin Attström: Sunday, 22 August 2010 at 17:15 (Jakarta) 2) Matthew Fehre: Sunday, 22 August 2010 at 13:55 (Jakarta)	
Monday, Aug 23rd				
09.00 - 11.00	AusAID Embassy (Conference room)	In country briefing with AusAID (Ben Power, Benita Somerville, Donny, Endang)	Brief the ICR team, introduction of AusAID Counsellor for Infrastructure and Economic Governance.	Driver: Maun (pick up at the hotel at 8.15 am)
11.00 - 12.00	AusAID Embassy (Conference room)	Further Questions and answers as required/Internal evaluation team discussion		
12.00 – 12.45	Lunch (Platypus, Embassy)			
13.30 - 15.30	ISP3 Office Mayapada Tower 11th Floor Marquee Executive Office Jl. Jend. Sudirman Kav 28	Meeting ISP3 Program Manager (Mike Burge) & his core team (Deputy team leader, M&E Adviser, Procurement Adviser)	Overall description of implementation process, perception on main objectives achieved/not achieved, unintended effects etc.	Driver: Maun (depart from Embassy at 12.45 to ISP3 Office – stand by until 17.00)
Tuesday, Aug 24th - interpreter provided (whole day) -				

09.00 – 11.00	LKPP Office Gedung SMESCO UKM Lt. 8 Jln. Gatot Subroto Kav 94 Jakarta – 12780	Ir Agus Rahardjo, Chairman LKPP Courtesy visit at LKPP, senior management and followed up by meeting with LKPP TMT members	Perception on ISP3 Program (relevance, effectiveness, efficiency, sustainability, and lessons), emerging needs and delivery mechanism for future assistance.	Diver: Maun (pick up at the Hotel at 8.30 and stand by until 10.00 for Benita. Benita will come to the hotel at 8.30)
11.00 - 12.00	LKPP Office	Meeting with staff involved in ISP3 activities under the Deputy of Procurement Strategy and Policy Development, LKPP	Perception on ISP3 Program (relevance, effectiveness and efficiency).	
12.00 – 12.45	Lunch (Smesco Food Court/ HERO Gatot Subroto Food Court)			
13.00 - 14.00	LKPP Office	Meeting with staff involved in ISP3 activities under the Deputy of Human Resource Development and Directions, LKPP	Perception on ISP3 Program (relevance, effectiveness and efficiency).	
14.00 - 15.00	LKPP Office	Meeting with staff involved in ISP3 activities under the Deputy of Legal and Complaints Settlements	Perception on ISP3 Program (relevance, effectiveness and efficiency).	
15.00 - 16.00	LKPP Office	Meeting with staff involved in ISP3 activities under the Deputy of Monitoring and Evaluation	Perception on ISP3 Program (relevance, effectiveness and efficiency).	Driver: Maun (pick up 16.00 at LKPP Office to the hotel)

Wednesday, Aug 25th

09.00 - 10.00	Ministry of Finance (MoF) Gedung Sutikno Slamet, Lt. 3, Direktorat Sistem Penganggaran, Jl. Dr. Wahidin I (Gedung Danapala)	Drs. Rakhmat, MA (Director of Budgeting System) Meeting with relevant directorate at MoF and LKPP re: PFM related procurement e.g. procurement planning Note: Pak Choesni, Director Procurement Planning of LKPP will join the meeting	Perception on progress of procurement reform and performance of LKPP, relevance of ISP3 Program, emerging needs and future assistance	Driver: Warsum (pick up at the hotel at 08.15 am and stand for the team until 16.30)
11.00 - 12.00	Government Internal Control and Audit Agency (BPKP) BPKP Building 4th Floor, Jl. Raya Pramuka 33, Jakarta Timur	Rudy M. Harahap (Deputy Director of Planning Bureau) Meeting with BPKP re: procurement audit)	Perception on ISP3 Program (relevant, effectiveness, and sustainability), emerging needs and delivery mechanism for future assistance.	
12.30 – 14.00	ISP3 Office Mayapada Tower 11th Floor Marquee Executive Office Jl. Jend. Sudirman Kav 28	Lunch Meeting with ISP3 technical team dealing with Human Resource (John Theaker - International Human Resources Development Advisor, Dr. Clyde Maurice - International Human Resources & Organisational Development Advisor, Robert Thompson - International Procurement Training Development Advisor), ISP3 Program Manager and his Deputy, ISP3 M&E Adviser	Overall description of implementation process, perception on main objectives achieved/not achieved, unintended effects etc.	

14.00 - 15.30	ISP3 Office Mayapada Tower 11th Floor Marquee Executive Office Jl. Jend. Sudirman Kav 28	Meeting with ISP3 technical team based in LKPP dealing with Procurement Policy (Wolf Kruska – Procurement Adviser, Frans Vos-International Procurement Advisor (Business Climate/Sustainable Procurement), Baharuddin Nur - National Public Sector Policy Analyst, Neneng Widiastuti- National Public Procurement Specialist) and two sub national/audit team members)	Overall description of implementation process, perception on main objectives achieved/not achieved, unintended effects etc.	
Thursday, Aug 26th - interpreter provided (whole day) -				
09.00 - 10.00	Ministry of Public Works Jl. Patimura No.20 Gedung Blok B1A Lt. VII, Kebayoran Baru - Jakarta Selatan	Ir. Soekistiarso, Dipl.HE. (Kepala Pusat Pembinaan Penyelenggaraan Konstruksi) Meeting with relevant directorate at Ministry of Public Works (procuring entity)	Perception on progress of procurement reform and performance of LKPP, relevance of ISP3 Program, emerging needs and future assistance	Driver: Maun (pick up at the hotel at 08.15 am and stand by for the team until 16.30)
11.00 - 12.00	National Agency for Planning and Development (BAPPENAS) Office , 1 st Fl. Jl. Taman Suropati No. 2	Ir. Syahril Loetan, MCP (Sesmeneg PPN / Sekretaris Utama, BAPPENAS) Meeting with BAPPENAS (procuring entity)	Perception on progress of procurement reform and performance of LKPP, relevance of ISP3 Program, emerging needs and future assistance	
12.00 - 12.45	Lunch (Menteng)			
13.30 - 14.30 <i>Rusman Ismail and Matthew Fare</i>	Ministry of Health Office Jl. HR. Rasuna Said Blok X.5 Kav.4-9, Kuningan, Gedung Baru Lt. 12	Suhardjono, SE.MM. (Kepala Biro Keuangan dan Perlengkapan) Meeting with relevant directorate at Ministry of Health (Procuring entity)	Perception on progress of procurement reform and performance of LKPP, relevance of ISP3 Program, emerging needs and future assistance	

13.30 – 14.30	<i>Karin Attström</i>	Indonesia Procurement Watch (IPW) Jl. Tebet Raya No. 3A, Jakarta Selatan	Budihardjo Hardjowiyono (Direktur Eksekutif, Indonesia Procurement Watch)	Perception on progress of procurement reform and performance of LKPP, relevance of ISP3 Program, emerging needs and future assistance	
15.00 – 16.00		LKPP Office Gedung SMESCO UKM Lt. 8 Jln. Gatot Subroto Kav 94 Jakarta – 12780	Sarah Sadiqa, Director for Business Climate & International Cooperation, LKPP/Head of ISP3 TMT	CPI study and TMT	
Friday, August 27th - interpreter provided (half day in the morning) -					
09.00 - 10.30		ISP3 Office Mayapada Tower 11th Floor Marquee Executive Office Jl. Jend. Sudirman Kav 28	Sub national meeting with Aceh Besar Delegation, LKPP TMT member, MoHA, AIPD activity managers, ISP3 team	Lessons learnt on ISP3 program intervention at sub national level (for the evaluation team and AIPD program), emerging needs and delivery mechanism for future assistance	Driver: Maun (pick up at the hotel at 8.15 and stand by until 11.00 for Benita).
10.30 – 11.30		ISP3 Office Mayapada Tower 11th Floor Marquee Executive Office	Dr Bukhari, M.Ed. (Head of Aceh Besar District) Close session with Bupati Aceh Besar / ISP3 Team as required		
12.00 - 12.45		Lunch (the building next to Mayapada)			
13.00 - 14.30		ISP3 Office Mayapada Tower 11th Floor Marquee Executive Office	Meeting ISP3 Program Manager (Mike Burge) & his core team: Deputy Program Manager, M&E Adviser, Procurement adviser)	Synthesis and verification of evaluation findings	Driver: Maun (pick up at ISP3 Office at 14.30 and stand by until 17.00)

15.30- 16. 30	Australia Indonesia Partnership for Economic Governance (AIPEG) office Suite 1508, Level 15, Sentra Mulia Building, Jl HR Rasuna Said Kav. X-6 No.8, Jakarta Selatan	Meeting with AIPEG (Mike Halse, Facility Director)	Perception on progress of procurement reform and performance of LKPP, relevance of ISP3 Program, identify options for future	
Monday, August 30th				
09.00 - 10.00	World Bank Office Jakarta Stock Exchange Tower 2, 12 th floor	Meeting with Imad Saleh (Lead Procurement Specialist, World Bank)	Perception on progress of procurement reform and performance of LKPP, relevance of ISP3 Program, current and future support from WB on procurement reform	Driver: Warsum (pick up at the hotel at 8.15 am and stand by for the team until 16.30)
11.00- 12.00	Asian Development Bank Office 7th Floor of BRI-2 building, Jl. Jend. Sudirman, Kav.44 – 46	Meeting with Renadi Budiman (Senior Financial Management Specialist) and Olga Suyatmo (Procurement Specialist)	Perception on progress of procurement reform and performance of LKPP, relevance of ISP3 Program, current and future support from ADB on procurement reform	
12.00- 12.45	Lunch (near JICA Office)			
14.00 - 15.00	JICA Office Gedung Sentral Senayan II Lantai 14, Jl. Asia Afrika No. 8, Jakarta Pusat	Meeting with Mr OGAWA Shigenori (Senior Representative, JICA)	Perception on progress of procurement reform and performance of LKPP, relevance of ISP3 Program, current and future support from JICA on procurement reform	

15.30- 16. 30	The Indonesia Infrastructure Initiative (INDII) Office E-Trade Building, No. 55 Jl. Wahid Hasyim, Menteng	Meeting with INDII team: Lynton Ulrich (Technical Director) and David Hawes (Adviser) and EINRIP monitoring team: Hugh Brown and Zacky Wasaraka	Perception on progress of procurement reform and performance of LKPP, relevance of ISP3 Program, identify options for future
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Tuesday, August 31st

08.30 – 9.30	Four Seasons Hotel	Internal team meeting – development of aid memoire and PPT	
10.00 – 11.00	LKPP Office	Meeting with <i>Eiko Whismulyadi</i> (LKPP Executive Secretary)	Support for organizational development of the LKPP Driver: Warsum (pick up at the hotel at 9.30 am)
12.00- 12.45	Lunch		
13.30 - 16.30	AusAID Embassy (Meeting Room 2)	AusAID informal debriefings and consultations	Driver: Warsum (drop off to the hotel)

Wednesday, September 1st

10.00 - 12.00	AusAID Embassy (Meeting Room 1)	Presentation Aid Memoire and PPT to AusAID	Driver: Maun (pick up at the hotel at 9.00 am)
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12.00- 13.00	Apartment restaurant , next to the embassy	Debrief ISP ₃ team	
13.30- 15. 30	LKPP Office Mayapada Tower 11th Floor Marquee Executive Office Jl. Jend. Sudirman Kav 28	Presentation Aid Memoire and PPT to LKPP	Driver: Maun (depart the Embassy at 12.45 to LKPP Office. Stand by until 16.30.

ANNEX B. EVALUATION MATRIX

The below table presents an overview of the Evaluation Questions, how the EQs will be assessed in more detail, as well as what data sources will be used.

Table 2 Design table for the evaluation

	Evaluation Question	Type of EQ ⁶	Specification of EQ/Analytical Strategy	Short response	Data Sources ⁷
Relevance	1. Were the objectives relevant to Australian Government and partner government priorities?	Standard	Degree of alignment between program objectives and GOA/GOI priorities	High degree of alignment, both to GOA and GOI priorities Alignment/supports Jakarta Commitment and Paris Declaration/Accra agenda for action	<ul style="list-style-type: none"> - Desk research strategy documents and collaboration agreements - Interviews with AusAID - Interviews with LKPP - Interviews central stakeholders⁸
	2. Were the objectives relevant to the context/needs of beneficiaries?	Standard	Degree of alignment between program objectives and the most imminent needs in strengthening the procurement system, as perceived by involved stakeholders	High degree of alignment between needs at policy and central level in public procurement. LKPP is since establishment the main national agency responsible for developing the procurement system. Actual needs in procurement system relate to practices and operations to bring about value	<ul style="list-style-type: none"> - Interviews with LKKPP - Interviews with MC experts - Interviews with Sub-national stakeholders - Interviews with Procuring entities - Interviews central stakeholders

⁶ Refers to if the EQ is a standard EQ or a specific EQ, as identified in the ToR for the assignment

⁷ Multiple sources as a means of triangulation, by gathering information relevant to the EQ from several sources/stakeholders

⁸ See section 4.3 for a listing of relevant central stakeholders

				for money procurement and service delivery. Thus support to LKPP to undertake its mandate is assessed relevant and also in line with Jakarta Commitments on use of country systems	
	3. If not, what changes should have been made to the activity or its objectives to ensure continued relevance?	Standard	Opinion of involved stakeholders on need for changes Analysis of the responses provided by involved stakeholders on possible issues Degree of coherence in responses provided (several similar responses considered to verify validity)	No specific need for change identified through interviews, general agreement on relevance of objectives and activities.	<ul style="list-style-type: none"> - Interviews with LKKPP - Interviews with MC experts - Interviews with Sub-national stakeholders - Interviews with Procuring entities - Interviews central stakeholders
Effectiveness	4. Were the objectives achieved? If not, why?	Standard	Listing of main objectives (outputs and outcomes) achieved Verification of achievements by interviews and observations Probing of reasons for non-achievement, as perceived by involved stakeholders	Objectives only partially achieved. Main reasons for non achievement were that objectives were not realistic in view of the limited time available and recent creation of LKPP. The intervention logic built on capacity and institutional development was relevant, but the objectives too ambitious and LKPP has not been able to absorb all the support provided fully.	<ul style="list-style-type: none"> - Desk research program reports - Interviews with LKKPP - Interviews with MC experts - Interviews with Sub-national stakeholders - Interviews with Procuring entities - Interview AusAID
	5. To what extent did the activity contribute to achievement of objectives?	Standard	Verification of linkages between outputs and outcomes, by interviews with	Likelihood for contribution assessed to be good, but too early to assess achievement of objectives. Signs exist that activities are likely to influence	<ul style="list-style-type: none"> - Desk research program reports - Interviews with LKKPP

			involved stakeholders Assessment of likely contribution of activities to achievements Assessment of other factors (contextual) likely to influence outcomes	outcomes, for example the establishment of HRD framework, if the context is also beneficial for example funding, delivery mechanisms and political support.	<ul style="list-style-type: none"> - Interviews with MC experts - Interviews with Sub-national stakeholders - Interviews with Procuring entities
6.	To what extent has ISP3 achieved its objectives and outcomes? Is it likely they be fully achieved by the end of the program? To what extent is ISP3 delivering to Government of Indonesia satisfaction?	Specific	<p>Listing of main objectives (outputs and outcomes) achieved</p> <p>Verification of achievements by interviews and observations</p> <p>Assessment of other factors (contextual) likely to influence outcomes</p> <p>Opinion of involved stakeholders of priorities and realistic expectations for last year of implementation</p> <p>Opinion of involved stakeholders on satisfaction with support</p>	<p>Objectives partially achieved. Main reason for non achievement was that objectives were not realistic in view of the limited time available and recent creation of LKPP, hence it is not likely the objectives will be fully achieved by end of the ISP3.</p> <p>The program has delivered to the satisfaction of Gol, as reported by LKPP and other stakeholders, and there is a wish for continued support.</p>	<ul style="list-style-type: none"> - Desk research program reports - Interviews with LKKPP - Interviews with MC experts - Interviews with Sub-national stakeholder - Interviews with Procuring entities - Interviews central stakeholders - Interview AusAID
7.	How effective has the current delivery strategy been in achieving ISP3 objectives and outcomes, especially in	Specific	Verification of linkages between outputs and outcomes, by interviews with involved stakeholders	The strategy has been rated to be effective and relevant for increasing the capacity of Gol. Beneficiaries for the most part highly appreciative of support provided and quality of advisors.	<ul style="list-style-type: none"> - Desk research reports - Interviews with LKKPP - Interviews with MC

	building Indonesian Government capacity?		Opinion of beneficiaries on the support provided by ISP3 Assessment of likely contribution of activities to achievements Assessment of other factors (contextual) likely to influence outcomes	Factors influencing success has been the capacity to identify needs properly and manage expectations, as well as absorption capacity. Contextual factors such as funding and continued political commitment to procurement reform will influence outcomes	experts - Interviews with Sub-national stakeholder - Interviews with Procuring entities - Interviews central stakeholders
	8. How can the current ISP3 program strengthen program delivery in its final year (2010-11)?	Specific	Analysis of planned activities and expected outputs/outcome Assessment of need to change/adjust mechanisms to achieve most in final year Depending on recommendations for after ISP3 – analysis of how ISP3 can facilitate transfer/exit	Prioritise interventions so as not to overspend (see efficiency below) Demand even higher degree of LKPP involvement, real process oriented approach If continuation, preparation of extension should be built in, if exit, exit strategy should be built in	- Interviews with LKKPP - Interviews with MC experts - Interviews central stakeholders
Efficiency	9. Did the implementation of the activity make effective use of time and resources to achieve the outcomes?	Standard	Review of financial reports and qualitative linkage to outputs/outcomes Assessment of outputs/outcomes could have been achieved more cost efficient, as perceived by involved stakeholders	Outputs have been achieved at a high cost per objective, with most spending taking part in latter half of the program period. For the remaining year of implementation app. 40% of the total activity budget for the program is forecasted, this is not assessed realistic. An adjustment of budget should have been undertaken, to adjust to the actual absorption capacity	- Desk research program reports - Interviews with LKKPP - Interviews with MC experts - Interviews with Sub-national stakeholders

		Assessment of adequacy of implementation process and management capacity, i.e. clarity, responsiveness to changing needs and communication.	of the LKPP, as well as the time remaining after delays etc.	
10. Was a risk management approach applied to management of the activity (including anti-corruption)?	Standard	Evidence of risk management in reports Verification of risk management approach, as reported by interviewed stakeholders	No structured risk management approach has been applied, but the contact and communication between involved stakeholders has been frequent and risks have been managed as they arose. In matters of personnel, the risk management has been somewhat slow, due to contractual reasons, which has led to considerable "waste" in the program when advisors who were not functioning were still working in the program. During the delay when the subsidiary agreement for phase 2 was negotiated, the management team was in place, which also represented a significant cost without any activities being undertaken.	<ul style="list-style-type: none"> - Desk research program reports - Interviews with LKKPP - Interviews with MC experts - Interviews with Sub-national stakeholder - Interview AusAID
11. What were the risks to achievement of objectives? Were the risks managed appropriately?	Standard	Evidence of arising risks in reports, and subsequent management of risks Verification of risk management initiatives, as reported by interviewed stakeholders	<p>The risk for overspending in the program was not taken into account, or not acknowledged</p> <p>The risk of outputs not being implemented has not been dealt with, or planned for.</p>	<ul style="list-style-type: none"> - Desk research program reports - Interviews with LKKPP - Interviews with MC experts - Interviews with Sub-national stakeholder - Interview AusAID

Sustainability	12. Do beneficiaries and/or partner country stakeholders have sufficient ownership, capacity and resources to maintain the activity outcomes after Australian Government funding has ceased?	Standard	Assessment of institutional stability, in terms of staff turnover, resources and development capacity for future implementation of procurement reform Opinion of beneficiaries on sustainability	Sustainability in general assessed to be good with capacity development of individuals who remain in LKPP. However, ISP3/LKPP need to develop/work on systems for knowledge management and ensuring not only individual but also institutional capacity is built. Currently no knowledge transfer systems are in place.	<ul style="list-style-type: none"> - Interviews with LKKPP - Interviews with MC experts - Interviews with Sub-national stakeholder - Interviews with Procuring entities - Interview AusAID
	13. Are there any areas of the activity that are clearly not sustainable? What lessons can be learned from this?	Standard	Identification of areas (high cost, turnover or alike) which are likely on sustainability Analysis of lessons learned, recommendations on strengthening sustainability	Component 2 results in the districts is not assessed sustainable, as it is both dependent on political support and on external support. The lack of sustainability is mainly due to external factors beyond the influence of any program.	<ul style="list-style-type: none"> - Desk research program reports - Interviews with LKKPP - Interviews with MC experts - Interviews with Sub-national stakeholders - Interviews with Procuring entities
	14. What is the likely sustainability by the end of the program?	Specific	Assessment of institutional stability of LKPP, in terms of staff turnover, resources and development capacity for future implementation of procurement reform Opinion of beneficiaries on sustainability Assessment of what conditions needs to be in place to ensure	Sustainability in general assessed to be good with capacity development of individuals who remain in LKPP. However, ISP3/LKPP need to develop/work on systems for knowledge management and ensuring not only individual but also institutional capacity is built. Currently no knowledge transfer systems are in place.	<ul style="list-style-type: none"> - Interviews with LKKPP - Interviews with MC experts - Interviews with Sub-national stakeholder - Interviews with Procuring entities

sustainability

Monitoring and Evaluation	15. Does evidence exist to show that objectives have been achieved?	Standard	Assessment of M&E reporting and evidence of achievements	The M&E system has only been implemented during 2010, and so far only one monitoring report has been completed. The M&E report adequately describes achievements, but further tracking will be necessary to assess availability of evidence.	<ul style="list-style-type: none"> - Desk research M&E - Interviews with LKKPP - Interviews with MC experts
	16. Were there features of the M&E system that represented good practice and improved the quality of the evidence available?	Standard	Assessment of adequacy and quality of M&E reporting (frequency, verification of data, interpretation and analysis)	The evidence provided in M&E reports is mainly qualitative, with efforts to triangulate and verify results and progress by different sources. This approach is assessed relevant and good practice in a program such as ISP3. Some quantitative information exists, in terms of LKPP interaction with other stakeholders.	<ul style="list-style-type: none"> - Desk research M&E - Interviews with LKKPP - Interviews with MC experts
Lessons	17. How well was learning from implementation and previous reviews (self-assessment and independent) integrated into the activity?	Standard	Assessment of use of M&E information in operations and management of program Assessment of changes made to program due to review/M&E information	Since no M&E system has been in place until 2010, learning has been more ad hoc and based on discussions and dialogue within TMT. No significant changes have been made, apart from personnel changes, and adjustment of specific outputs.	<ul style="list-style-type: none"> - Desk research reporting - Interviews with LKKPP - Interviews with MC experts
	18. What lessons from the activity can be applied to further implementation/designing the next phase of the activity or to the	Standard	Synthesis of evaluation findings and stakeholder consultations Discussion of identified options for future (continuation;	The support provided to LKPP at its establishment was "too much too early", which is evidenced by the low effectiveness and efficiency of the program. Adjustments to the timetable and budget should have been made at an early time of phase	<ul style="list-style-type: none"> - Synthesis of sources/findings - Consultations with AIPEG and AIPDP - Consultations and debriefing LKPP and AusAID

	rest of the program/designing future activities.		redesign; exit; integration in other initiative)	two, since the LKPP has not been able to allocate sufficient resources to benefit fully from the high level support provided by ISP3.	
19.	Would Government of Indonesia (particularly LKPP) like Australia to continue support beyond 30 June 2011? If so, what are the priorities and needs?	Specific	<p>Opinions by involved stakeholders on continued support to procurement reform after June 2010</p> <p>Opinions on most important needs to target with in a future intervention</p> <p>Opinions on what kind of delivery mechanisms to prioritise in possible future interventions</p> <p>Opinions on scope of possible future interventions</p>	There is a strong wish for continued support to LKPP and procurement reform. The overall priorities are reported to be support to e-procurement roll-out, the establishment of ULPs, development of Procurement Law, as well as HR training and capacity development (professionalization of procurement). An important need is organisational development of LKPP internally to enhance communication and coherence across the organisation.	<ul style="list-style-type: none"> - Interviews with LKPP - Interviews with MC experts - Interviews with Sub-national stakeholders - Interviews with Procuring entities - Interviews central stakeholders
20.	Based on the assessment of ISP3's achievements, others donor activity and Government of Indonesia future priorities, what are the recommendations for AusAID support in procurement reform beyond 30	Specific	<p>Synthesis of evaluation findings and stakeholder consultations</p> <p>Discussion of identified options for future (continuation; redesign; exit; integration in other initiative)</p> <p>Verification of recommendations during final consultations with</p>	It is recommended to continue supporting LKPP, through an extension of the current ISP3. The priorities under component 1 in the current program remain relevant, whereas component 2 should be phased out due to high risk and low sustainability. The delivery mechanism should remain the same, but with higher demands on TMT and LKPP to provide leadership and allocate resources to real process oriented work. The team management should be place in LKPP, and consist of a LTA	<ul style="list-style-type: none"> - Synthesis of sources/findings - Consultations with AIPEG and AIPDP - Consultations and debriefing LKPP and AusAID

	June 2011 (both for priority areas and delivery mechanisms)?	stakeholders	Team Leader, one Program assistant, and one financial/administrative officer. Substance input should be provided by both LTA and International and National STEs. In the work attention should be paid to develop capacity of national consultants as well.
Impact⁹	<i>Did the activity produce intended or unintended changes in the lives of beneficiaries and their environment, directly or indirectly?</i>		
	<i>Were there positive or negative impacts from external factors?</i>		
Gender	<i>What were the outcomes of the activity for women and men</i>		
	<i>Did the activity promote equal participation and benefits for women and men</i>		
Analysis and Learning	<i>How well was the design based on previous learning and analysis?</i>		

⁹ Impact, Gender and Analysis and Learning from the standard EQs are not the primary focus of the evaluation. However, if relevant findings arise it will be reported.

ANNEX C

TERM OF REFERENCE

ISP3 INDEPENDENT EVALUATION

Note: This version is following the ISP3 brief ICR team on 12 July 2010

Background of Evaluation

1. The Indonesia Strengthening Public Procurement Program (ISP3) will end on 30 June 2011. An independent evaluation is required to assess achievement of activity objectives, accountability and effectiveness of the aid activity, and what lessons can be learnt. This evaluation will act as an Independent Completion Report (ICR), and as such there is no need to conduct another evaluation in 2011.
2. The evaluation is being done in 2010 to enable the review team to also provide recommendations on future investment and/or an exit strategy in the procurement reform area in Indonesia beyond the end of ISP3.

Program Description

3. Australia has supported the Government of Indonesia (GoI) public procurement reform program through the Indonesia Strengthening Public Procurement Program (ISP3) since January 2008. Its purpose is to assist the Government of Indonesia to improve the efficiency, transparency and accountability of the national public procurement system; and strengthen procurement related public financial management systems and information.
4. ISP3 is a four year program split into two phases. This first phase of the project was from 9 January to 30 September 2008 and coincides with the initial allocation of funding. Based on the recommendations of a Mid-Term Review (MTR) conducted in August 2008, it was agreed to extend the program for a further two years and nine months to 30 June 2011. The total commitment of these two phases is \$10.5 million.
5. ISP3 originally consisted of three components:
 - a. Component 1: Improve the institutional & regulatory environment for procurement at the national level;
 - b. Component 2: Strengthen procurement processes in targeted provinces and districts; and
 - c. Component 3: Strengthened Public Financial Management (PFM) systems to provide greater transparency and accountability of procurement activities at national and provincial levels.

One of recommendations of the Mid-Term Review was that Component 3 be removed from the Logframe of ISP3 and all future audit and financial management reporting activity be focussed at the Province/ District levels only. As such, Component 3 was removed from the ISP3 Logframe for Phase 2.

6. ISP3 was positioned to work in close partnership with the government, particularly the Indonesian National Procurement Policy Agency (*Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah* - LKPP), established on 6 December 2007. At the sub-national level, ISP3 is currently working in two districts in the Province of Aceh.
7. The delivery of the program is based on an annual rolling program to accommodate funding processes and emerging issues of the program. The program was designed for small-scale interventions at the sub-national level, both financially and technically, as LKPP is the main beneficiary of the program.

Objectives

8. The objective of the evaluation is to assess performance of the ISP3 program to date and to provide recommendations to AusAID on future directions for AusAID's investment in the procurement reform area after the end of the current ISP3 program.

Scope of the Evaluation

9. The scope of the evaluation is to:
 - a. Assess and rate the program's performance against the evaluation criteria in particular relevance, effectiveness, and sustainability.
 - b. Provide recommendation on the future AusAID support in procurement reform and/or an exit strategy.
10. ISP3-Specific Evaluation Questions are located at [Annex 1](#), with the Standard Evaluation Questions provided in [Annex 2](#). The rating will be based on the standard AusAID six-point scale, as outlined in the ICR template provided in the [Annex 6](#).

Methodology

11. This evaluation will have the following format:
 - a. A phone briefing to discuss the background, issues and priorities for the evaluation with the evaluation team before evaluation plan is developed;
 - b. The team leader to develop an evaluation plan in consultation with other members of the evaluation team and AusAID Jakarta;
 - c. The evaluation team to review all background documents and to analyse secondary data (list of reading materials is located at [Annex 3](#)) prior to the in-country mission;
 - d. In-country mission to include meetings in Jakarta, Aceh Barat/Aceh Besar. Team to undertake interviews with (list of stakeholders is at [Annex 4](#)):
 - ISP3 Implementation Team - Charles Kendall (Managing Contractor);
 - the program recipients i.e. LKPP, BPKP, local government officials from Aceh Barat/Aceh Besar;
 - Relevant AusAID initiative managers and managing contractors (primarily economic governance, decentralization, and infrastructure) to discuss possible future delivery mechanisms.
 - e. Team to develop an aide memoire and present to AusAID and LKPP;
 - f. Team to develop a draft report and deliver to AusAID for comment;

- g. Report to be finalised within 3 days upon receiving final written comments from AusAID.

Timeline

12. The evaluation timeline as the following table:

	Step Title	Responsibility	Evaluation Team Input	Deadline
PREPARATION	Brief evaluation team through teleconference	AusAID	½ day	12 July
	Evaluation Plan (including Methodology) submitted	Evaluation Team Leader (TL)	3 ½ days	15 July
	Evaluation Plan (including Methodology) approved	AusAID	-	12 Aug
DATA COLLECTION and ANALYSIS	Desk review (analysis of secondary data)	Evaluation team	5 days	13-20 Aug
	In country briefing for Evaluation Team	AusAID	½ day	23 Aug
	Field visit (primary data collection and analysis)	Evaluation team	7 ½ days	23 – 30 Aug
	Informal discussion of findings and aid memoire with relevant AusAID teams	TL	1 day	31 August
	Presentation of aid memoire to AusAID management and discussants	TL	½ day	1 Sept
	Presentation of aid memoire to LKPP	TL	½ day	1 Sept
REPORTING and LEARNING	Draft evaluation report submitted	TL	7 days	10 Sept
	Draft evaluation report analysed by internal AusAID and peer review – comments sent to TL	AusAID	-	24 Sept
	Final evaluation report submitted	TL	1 day	27 Sept
	Final evaluation report accepted	AusAID	-	8 Oct

Team Composition: Skills Required and Composition

13. The collective qualifications and experience of the team should include:

- a. A sound understanding of development needs and priorities, particularly in the area of capacity building of public procurement in particular and public financial management and economic governance in general;
- b. Familiarity and ability to quickly grasp the aims and key delivery mechanisms including principles, guidelines and requirements of AusAID's program with Indonesia and its operational context;
- c. Experience in the design and conduct of project reviews. This includes the capacity to develop and deliver a sound methodology for the mission that reflects acceptable practice standards, and the time and resources available for the mission; and
- d. Experience with or knowledge of Indonesia's government institutions and systems is highly desirable.

Each team member should also have:

- a. Strong interpersonal skills and ability to work in a team;
- b. Ability to liaise effectively with key stakeholders and consider views;
- c. Highly developed conceptual and analytical skills;
- d. Effective report writing skills;
- e. Experience in evaluation of program effectiveness;
- f. Clear presentation skills;
- g. Cultural sensitivity/awareness;
- h. Ability to meet deadlines;
- i. Ability to facilitate sessions with the implementation team to identify, extract and analyse important issues;
- j. Ability to create a mission environment that balances validation of claims of achievement with collegiate analysis and learning.

14. The Evaluation Team will comprise:

- a. Team Leader/Monitoring and Evaluation Specialist

Duties:

- Take overall leadership for the evaluation and coordinate and manage the other team members to produce the outputs;
- Develop an evaluation plan and methodology;
- Lead discussions with stakeholders;
- Develop initial finding into an aide memoire to discuss with AusAID Jakarta;
- Develop and submit the draft and final Independent Completion Report.

- b. Public Procurement Specialist

Duties:

- Provide advice on Indonesia public procurement as well as other implementation issues including input into the development of the evaluation plan and methodology.
- Participate in stakeholder consultations, particular providing input on strategic issues and future directions of ISP3;
- Provide input to team leader on initial finding and participate in discussions with AusAID Jakarta;
- Provide input to the production of the outputs as directed by the Team Leader.

- c. Director Working in Partner Systems AusAID

Duties:

- Provide input to the team leader on development of the evaluation plan and methodology;
- Participate in stakeholder consultations, particular providing input on strategic issues and future directions of ISP3;
- Provide input to team leader on initial finding and participate in discussions with AusAID Jakarta;
- Provide input to the production of the outputs as directed by the Team Leader.

The team may include observers from AusAID economic governance, decentralisation and infrastructure programs.

Outputs

15. The evaluation team will produce the following outputs:

- a. The Evaluation Plan: The evaluation plan is to be submitted to AusAID on 29 July 2010. It will be cleared by the evaluation delegate before work starts on evaluation activities. It outlines the methods and timeframe the evaluation team will use to meet the ToR objectives and scope, including:
 - An evaluation design that describe a logical model for assessing the activity;
 - A process for information collection methods and analysis;
 - Evaluation questions;
 - Outline of the roles and responsibilities of team members;
 - A draft itinerary/schedule; and
 - Target dates for deliverables and presentation.
- b. Aid Memoire (maximum 5 pages) and its power point presentations to AusAID on 31 August 2010 (see [Annex 4](#) for the Aid Memoire template) and presented in debrief sessions in AusAID Jakarta and LKPP.
- c. Draft Independent Completion Report of no more than 25 pages by 8 September 2010 (excluding annexes). Key contents of the report are:
 - An executive summary (should be able to be read as a stand alone document);
 - Background on the program activity;
 - An outline of the evaluation objectives and methods;
 - Finding against the evaluation questions;
 - Evaluations criteria ratings; and
 - Conclusions and recommendation

The template for the ICR is available in the [Annex 5](#).

- d. Final Independent Completion Report of no more than 25 pages (excluding annexes) within 3 days upon receiving final written document from AusAID.

16. Reports are to be delivered to AusAID in electronic format, compatible with Microsoft Office 2003 suite. Draft reports will be clearly marked as drafts and will have the revision date noted on the cover. Hardcopy reports will be made available to AusAID on request.

ANNEX 1

ISP3-Specific Evaluation Questions

- To what extent has ISP3 achieved its objectives and outcomes? Is it likely they be fully achieved by the end of the program? To what extent is ISP3 delivering to Government of Indonesia satisfaction?
- How effective has the current delivery strategy been in achieving ISP3 objectives and outcomes, especially in building Indonesian Government capacity? What is the likely sustainability by the end of the program?
- How can the current ISP3 program strengthen program delivery in its final year (2010-11)?
- Would Government of Indonesia (particularly LKPP) like Australia to continue support beyond 30 June 2011? If so, what are the priorities and needs?
- Based on your assessment of ISP3's achievements, others donor activity and Government of Indonesia future priorities, what are the recommendations for AusAID support in procurement reform beyond 30 June 2011 (both for priority areas and delivery mechanisms)?

Delivery mechanism options could include:

- *continuing the current program with minimal changes;*
- *continuing current program with redesign;*
- *incorporating procurement reform into existing AusAID programs (such as Australia Indonesia Partnership for Economic Governance and Australia Indonesia Partnership for Decentralisation); or*
- *discontinuing support.*

ANNEX 2

Standard Evaluation Questions

Relevance

- Were the objectives relevant to Australian Government and partner government priorities?
- Were the objectives relevant to the context/needs of beneficiaries?
- If not, what changes should have been made to the activity or its objectives to ensure continued relevance?

Effectiveness

- Were the objectives achieved? If not, why?
- To what extent did the activity contribute to achievement of objectives?

Efficiency

- Did the implementation of the activity make effective use of time and resources to achieve the outcomes?

Sub-questions:

- Was the activity designed for optimal value for money?
- Have there been any financial variations to the activity? If so, was value for money considered in making these amendments?
- Has management of the activity been responsive to changing needs?
- Did the activity suffer from delays in implementation? If so, why and what was done about it?
- Did the activity have sufficient and appropriate staffing resources?
- Was a risk management approach applied to management of the activity (including anti-corruption)?
- What were the risks to achievement of objectives? Were the risks managed appropriately?

Sustainability

- Do beneficiaries and/or partner country stakeholders have sufficient ownership, capacity and resources to maintain the activity outcomes after Australian Government funding has ceased?
- Are there any areas of the activity that are clearly not sustainable? What lessons can be learned from this?

Monitoring and Evaluation

- Does evidence exist to show that objectives have been achieved?

- Were there features of the M&E system that represented good practice and improved the quality of the evidence available?
- How well was learning from implementation and previous reviews (self-assessment and independent) integrated into the activity?

Lessons

- What lessons from the activity can be applied to (select as appropriate: further implementation/designing the next phase of the activity/applying thematic practices [i.e. working in partner systems/environment/fragile stages] to the rest of the program/designing future activities).

The following questions are not a priority for discussion by the evaluation team, They are to only be referred to if the team wishes to highlight a point of interest:

Impact

- Did the activity produce intended or unintended changes in the lives of beneficiaries and their environment, directly or indirectly?
- Were there positive or negative impacts from external factors?

Gender Equality

- What were the outcomes of the activity for women and men, boys and girls?
- Did the activity promote equal participation and benefits for women and men, boys and girls?

Sub-questions:

- Did the activity promote more equal access by women and men to the benefits of the activity, and more broadly to resources, services and skills?
- Did the activity promote equality of decision-making between women and men?
- Did the initiative help to promote women's rights?
- Did the initiative help to develop capacity (donors, partner government, civil society, etc) to understand and promote gender equality?

Analysis & Learning

- How well was the design based on previous learning and analysis?

ANNEX 3

List of Key Documents to be provided by AusAID

1. ISP3 Activity Design Document
2. ISP3 Contract
3. ISP3 Inception Report
4. ISP3 Annual Program Plan Year 1-4
5. ISP3 Progress Report (Monthly, Quarterly and Six Monthly)
6. ISP3 M&E Framework/Plan
7. ISP3 Phase 1 Review Report in August 2008
8. AIP country strategy 2008 – 2013
9. Draft AusAID Roadmap in Working in Indonesian Government Systems
10. LKPP strategic plan documents
11. Presidential Regulation on LKPP Establishment
12. LKPP Workplan in 2008
13. Australia Indonesia Partnership for Economic Governance Program (AIPEG) Documents
14. Australia Indonesia Partnership for Decentralisation (AIPD) Program Documents

ANNEX 4

List of Stakeholders

Government:

1. ISP3 Technical Management Team (TMT) of LKPP (National Public Procurement Agency)
2. Various deputies and directorates of LKPP as necessary
3. BPKP (Indonesian Financial and Development Supervisory Board)
4. Local government of Aceh Barat
5. Local government of Aceh Besar
6. MoF (Ministry of Finance) (to be consulted with AIPEG Program & LKPP)
7. MoHA (Ministry of Home Affairs) (to be consulted with AIPD Program)
8. Up to three procuring entities – Ministry of Public Works and two others (to be advised by AusAID and LKPP)

Donors:

1. Worldbank
2. ADB
3. Millennium Challenge Corporation (MCC)
4. JICA

AusAID:

1. Minister Counsellor and/or Chief of Operations
2. Counsellor of Democratic Governance and Policy Coordination
3. ISP3 Initiative Managers in AusAID
4. ISP3 Implementation team – Charles Kendall (Managing Contractor)
5. AusAID managers and team leaders handling relevant programs (i.e. economic governance, decentralisation and infrastructure)

ANNEX 5



Australian Government
AusAID

This Aide Memoire Outline for Evaluation (#156) is current to 30 June 2010

An Aide Memoire may be used by the independent evaluation team at the end of an in-country visit to present the initial findings to interested parties and discuss and seek verification of facts and assumptions, and the feasibility of initial recommendations in the program/country context.

The key audiences for this document will be the AusAID program manager, the partner government (where relevant) and the other active stakeholders (such as partner agencies, community peak bodies, etc).

The following are the main headings to be included. The Aide Memoire should be no more than 5 pages in length, and may be less. *delete before use, or copy the information below into a new document*

Aide Memoire for Evaluation of

< insert name of aid activity >

Evaluation Background

< Include background on the activity being evaluated, the type of evaluation and the objectives and methods of the evaluation. >

Description of Evaluation Activities

< Outline fieldwork activities undertaken, including key meetings and site visits. >

Initial Findings and Recommendations

< Outline initial findings and recommendations from the fieldwork for discussion/workshopping with the program team and key stakeholders. >

Next Steps

< Outline further steps to finalise the evaluation. This should be decided in consultation with the evaluation manager, and will include peer evaluation of the draft report. >

Acknowledgements

< It is appropriate to acknowledge the logistical support provided by the country office to the in-country mission and thank those consulted for their time and input. >

Annexes

- a. Independent evaluation team members
- b. People/agencies consulted

ANNEX 6



Australian Government
AusAID

This Independent Completion Report template (#155) is current to 30 June 2010

delete this, and all explanatory text (blue-gray) before the report is finalised

< Title Page >

Aid Activity Name

AidWorks Initiative Number

INDEPENDENT COMPLETION REPORT

Author's Name and Organisation

Date (month year)

< NOTE: The report should be no more than 25 pages (excluding the annexes) >

Aid Activity Summary

< To be completed by the AusAID evaluation manager before template is provided to evaluation team. >

Aid Activity Name			
AidWorks initiative number			
Commencement date		Completion date	
Total Australian \$	< AusAID and other Australian government contribution >		
Total other \$	< eg, including amount contributed by other partner donors, partner governments, etc >		
Delivery organisation(s)			
Implementing Partner(s)			
Country/Region			
Primary Sector			

Acknowledgments

Author's Details

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EVALUATION CRITERIA RATINGS.....	17
CONCLUSION AND RECOMMENDATIONS.....	ERROR! BOOKMARK NOT DEFINED.

Executive Summary

< This should be a maximum of 2 pages, and be comprehensible as a stand-alone document. The main audience for the executive summary is senior managers and implementing partners.

The executive summary should provide the following information:

- > Background and context (where directly relevant to the findings).*
- > A summary of the activity objectives, components and key results.*
- > A brief outline of the evaluation findings.*
- > A brief outline of the lessons and recommendations.*
- > Evaluation Criteria ratings (as below). >*

Evaluation Criteria Ratings

< Copy from the rating summary in the main body of the document. >

Evaluation Criteria	Rating (1-6)
Relevance	
Effectiveness	
Efficiency	
Sustainability	
Monitoring & Evaluation	

Rating scale: 6 = very high quality; 1 = very low quality. Below 4 is less than satisfactory.

Introduction

Activity Background

< Provide information about the objectives, design and implementation history of the activity. Include relevant information on the country context of the activity, and how the activity fits into the country and/or sector strategy. >

Evaluation Objectives and Questions

< Describe the evaluation objective(s) and questions, as defined in the Terms of Reference. >

Evaluation Scope and Methods

< Outline the methods of the evaluation, including sources of evidence and types of analysis used to answer the evaluation questions, duration of evaluation, etc

Outline any assumptions made by the evaluation team and limitations of the methods. >

Evaluation Team

< Brief description of the composition of the evaluation team. Outline any team member's conflict of interest (such as previous involvement in the activity) and strengths and weaknesses of the composition of the team (such as skills mix, size of the team, etc.). >

Evaluation Findings

< The main body of the report should directly answer the evaluation questions, as defined in the Terms of Reference. Quantitative and qualitative evidence to support findings and recommendations needs to be presented as part of the report; referring to annexes or other documents is not sufficient. Where possible, data should be disaggregated by sex.

The report structure will be determined by the evaluation questions, and can be adjusted accordingly. Regardless of the structure, findings must specifically address AusAID's evaluation criteria: relevance, effectiveness, efficiency, impact (if feasible), sustainability, gender equality, monitoring & evaluation and analysis & learning. Assessment of cross-cutting issues and compliance with the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action should be integrated into the evaluation criteria.

Note: further information can be provided in annexes to the main report. At a minimum the Terms of Reference should be provided as an annex. The evaluation plan could also be provided. >

Relevance

< To determine whether the activity contributed to higher level objectives of the aid program (outlined in country and thematic strategies). >

Effectiveness

< To determine whether the activity has achieved its objectives. >

Efficiency

< To determine whether the activity was managed to get the most out of the inputs of funds, staff and other resources, including continual management of risks. >

Impact

< To determine whether the activity has produced positive or negative changes (directly or indirectly, intended or unintended). The degree to which the various aspects of impact can be assessed will vary according to the nature and duration of the activity. Whether impact can be assessed, or the way impact can be assessed will need to be determined by the Independent Evaluation Team. Impact will not be rated. >

Sustainability

< To determine whether the activity has appropriately addressed sustainability so that the benefits of the activity will continue after funding has ceased, with due account of partner government systems, stakeholder ownership and the phase-out strategy. >

Monitoring and Evaluation

< To determine whether the activity's monitoring and evaluation system effectively measured progress towards meeting objectives. >

Evaluation Criteria Ratings

< AusAID requires that the author(s) rate the quality of the aid activity based on the evaluation criteria (excluding impact). This section should be no more than one page. >

Evaluation Criteria	Rating (1-6)
Relevance	
Effectiveness	
Efficiency	
Sustainability	
Monitoring & Evaluation	

Rating scale:

Satisfactory		Less than satisfactory	
6	Very high quality	3	Less than adequate quality
5	Good quality	2	Poor quality
4	Adequate quality	1	Very poor quality