

**Assessment of Development Results
Evaluation of UNDP Contribution**

Indonesia

Executive summary

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Introduction

The Assessment of Development Results (ADR) in Indonesia is an independent country-level evaluation conducted by the Evaluation Office of the United Nations Development Programme (UNDP) in 2009. This ADR aims to assess the overall contribution of UNDP to development in the country during the past two programming cycles (2001-2005 and 2006-2009/2010) and to draw lessons for future strategies, particularly for the next programming cycle of 2011-2015. It was undertaken by an independent evaluation team and a task manager from the Evaluation Office, supported by the work of a research assistant.

The ADR team reviewed existing documents and reports, and interviewed UNDP staff, partners and beneficiaries between July 2009 and October 2009. In December 2009, the ADR presented preliminary findings, emerging conclusions and areas of recommendations at a stakeholder workshop for discussion. The stakeholder workshop held early in the drafting process allowed stakeholders to receive early feedback and be engaged in a substantive discussion. The draft report was reviewed by internal and external reviewers through the Evaluation Office's quality assurance system. It was also shared with the country office, UNDP Regional Bureau for Asia and the Pacific and the Government of Indonesia (GoI) in early 2010 for their comments.

Development challenges in Indonesia

During the period under review, Indonesia underwent dramatic changes in its system for governance and faced a daunting series of challenges in the form of natural disasters and environmental and economic crises. The 1999 elections marked the definitive end of the Soeharto era of governance and ushered in a period of political uncertainty. A drastic decentralization of authority transferred responsibility for key public-service provisions from the centre to approximately 400 regencies. In a period of five years, Indonesia transformed from a highly centralized state into one of Asia's most decentralized states, where increasingly well-run elections started to make both local and national leaders accountable to the electorate.

Environmental challenges in the country are increasing, with deforestation and emissions from energy production contributing to global warming. Environmental degradation is leading to more flooding and inundation of settlements, severely impacting urban livelihoods, especially in slum areas. Indonesia's unique biodiversity and its marine resources are equally under threat. The earthquake and tsunami in December 2004, which killed 160,000 people and destroyed the homes of 680,000, was a major natural disaster with huge impact on the affected communities as well as the economy. It was followed a few months later by the Nias earthquake and two more earthquakes in Java in May 2006 and July 2006. Its geographic location on the 'Ring of Fire'¹ exposes Indonesian households to more than 130 natural hazards per year, making Indonesia the fifth nation most frequently affected by natural disasters in the past 110 years.

International development assistance does not play a prominent role in Indonesia's economy, although an unprecedented contribution to the reconstruction effort was made by the world community in the year following the 2004 tsunami. The net flow of official development assistance per year has averaged 0.3 percent of gross national income and approximately 5 percent of the GoI annual budget during the period under review.

¹ An area of frequent earthquakes and volcanic eruptions in the basin of the Pacific Ocean.

The GoI's National Medium-term Development Plan (RPJM) for 2004-2009 was based on the three broad objectives of making Indonesia: safe and peaceful, just and democratic, and prosperous. The plan also emphasized the need for reconstruction and peace-building in Aceh and for building a strong macroeconomic framework for economic growth.

United Nations and UNDP in Indonesia

Based on a common country assessment (CCA)—undertaken in 2001 through a participatory process with GoI, the United Nations Country Team and civil society organizations (CSOs)—the United Nations Development Assistance Framework declared its overarching objective “To support Indonesia in its transition to a decentralized socially just society with a broad-based, competitive market economy.” The UNDP 2001-2005 country programme was based on the CCA and included the following priority areas: governance reform; pro-poor policy reforms; conflict prevention; linking relief to development; and environmental protection and management.

The Country Programme Document (CPD)/Country Programme Action Plan (CPAP) 2006-2010 formulated its objectives in more specific terms, with expected outcomes based on the GoI's RPJM. It identified roughly the same priority areas, but the disasters in Aceh and North Sumatra shifted the balance in the programme towards reconstruction, and the objectives of poverty reduction focused on achieving the Millennium Development Goals (MDGs). The following five thematic components were introduced and UNDP Indonesia made contributions in respective areas:

- ***Strengthening human development to achieve the MDGs***—Devoting particular attention to strengthening the capacity of local governments at provincial and district levels to formulate and implement poverty reduction strategies with a focus on building capacity for the delivery of public services to meet minimum standards.

During the first cycle, UNDP helped address an urgent problem of sudden impoverishment by supporting livelihoods in 200,000 households. This was done by building a sustainable structure of community-based organizations. In the 2006-2010 programme, UNDP helped GoI focus development planning on the needs of the poor, resulting in nine local action plans and two pro-poor medium-term development plans, supported by training 500 officials and community-based organization representatives.

- ***Promoting democratic governance***—Deepening of democracy by promoting participatory dialogue and institutions, and continuing to support decentralization at regency and province levels. UNDP would also devote particular attention to poor people's access to justice by promoting legal and justice sector reforms.

UNDP support to the elections in 2004 and 2009 helped create transparency and international recognition of the results. Its role in establishing and maintaining the dialogue on government reform helped promote a series of democratic reforms, including the ombudsman office and the National Anti-corruption Commission. UNDP was instrumental in the participatory preparation of a National Strategy on Access to Justice, which was launched in 2009.

- ***Promoting sustainable development and effective use of energy***—Prioritizing effective use of energy resources and advocacy in favour of international environment agreements.

Imports of ozone-destroying substances were banned in 2008 and the Ozone Layer Protection Programme is being applied in all provinces. UNDP advocacy of sustainable development attracted

public attention to the plight of the poor through the publication ‘The Other Half of Climate Change.’²

- ***Reducing vulnerability to crisis***—To be achieved by applying more conflict-sensitive approaches, and decentralized disaster risk reduction would be promoted by institutional strengthening and supporting community-based risk management of disasters.

Mechanisms for conflict sensitive planning and resource allocation dialogues were established in select locations. Disaster legislation and preparedness plans were developed and piloted. Seven districts were supported to implement the reintegration strategy, which benefited a total of 2,000 individuals. UNDP involvement in legal and institutional reform was key to building a more peaceful and equitable society in Aceh.

- ***Rehabilitation and reconstruction of Aceh and North Sumatra***—To be based on capacity development of governance institutions and civil society, and on support for the peace process.

UNDP helped provide shelter for more than 2,000 households and basic services to 4,000 home-based enterprises. The relief and rehabilitation work entailed 218,636 worker days. Average participation in road rehabilitation and maintenance works was 73 percent men and 27 percent women. Capacity development helped the Agency for the Reconstruction and Rehabilitation of Aceh and Nias successfully complete thousands of reconstruction projects. Living standards increased beyond pre-tsunami levels, although no causal link to reconstruction aid can be established.

Conclusions

Most UNDP interventions during the two programme periods were in line with Indonesia’s development priorities. UNDP Indonesia has effectively responded to two of the most urgent challenges—the democratization process in the first half of the decade and disaster reconstruction and prevention in the second—with great skill, imagination and flexibility, forging strategic partnerships at many different levels and contributing meaningfully to GoI efforts in addressing these challenges.

The first major challenge for Indonesia in the period 2001-2005 was the transformation to democratic forms of governance, which required support in organizing free and fair elections, building accountable institutions, and providing space for developing policies and partnerships. In the later part of the decade, UNDP showed the right leadership qualities in handling the acute emergency situation created by the tsunami in Aceh and contributed to the gradual transition to reconstruction and to building peace and democratic institutions. UNDP managed to meet both challenges by using its strong partnership relations with GoI, other United Nations (UN) organizations, the donor community and the CSOs—leveraging unprecedented levels of non-core funding.

UNDP partnerships with GoI at the national and local level have been mainly centred on the National Development Planning Agency (BAPPENAS), which is the ministry that approves and most often implements UNDP projects and programmes. Over the years, this relationship has become a strategic asset, based on shared values related to development planning as well as mutual familiarity. UNDP has also developed long-term relationships with bilateral donors and UN organizations, including the World Bank, based on mutual confidence and a common appreciation of UNDP relative advantages. UNDP has made a point of engaging with local stakeholders through CSOs, both for delivering services and grants to

² UNDP, ‘The Other Half of Climate Change—Why Indonesia Must Adapt to Protect its Poorest’, Jakarta, 2007.

poor households and for monitoring the outcomes of public policy. These partnerships represent another strategic asset that has helped UNDP both in extending the outreach of its support and in strengthening stakeholder involvement. However, partnership with the private sector has been limited, and this is an area to be further explored for future strategic partnership.

UNDP Indonesia's most important contribution to meeting the challenge of poverty reduction is the multi-stakeholder approach, using CSOs to manage grants and credits to households, and committing local communities to a rights-based approach to public services and access to justice.

Building on experience and lessons from innovative approaches to strengthen pro-poor planning and monitoring, UNDP can show success in fighting poverty, which is still a major challenge despite a reduction in poverty rates since the Asian Financial Crisis a decade ago. GoI is firmly committed to the MDGs, and UNDP is assisting GoI efforts to strengthen a pro-poor approach for achieving its MDG targets. This approach is based on systematic monitoring and targeting, and it aims at engaging local communities in a dialogue about the targets and their fulfillment. The outcome of these efforts has not yet been independently evaluated, but if successful, it could offer an innovative model for poverty-targeted capacity development at the local level.

Considering the enormous challenges Indonesia faces in climate change, threats to biodiversity and natural resources, UNDP Indonesia's environment programme has been relatively modest in size.

In the environment sector, UNDP has mainly been managing projects under the Global Environment Facility, such as the Small Grants Programme, various renewable energy initiatives, natural resource management, and direct support to the government on policy making and the Montreal Protocol. UNDP should proactively engage in a more structured programme involving key stakeholders. In this regard, the environment programme is currently developing a 'climate change umbrella' as a programme strategy for the next five years. It is critical that this be carried out.

The efficiency of UNDP programming has been mixed, with external observers expressing concerns with aspects such as timeliness and cost effectiveness. UNDP is seen as having very long chains of command, particularly when decisions have to be referred to UNDP Headquarters in New York.

Overambitious plans and unreliable sources of funding have contributed to delays, loss of efficiency, and in some cases, termination of pilot projects at a time when they begin to produce results. In the Environment and Energy and Governance Programmes, in particular, a noticeable number of projects took longer to begin than anticipated but pick up momentum in a short time. Given the geographical coverage of the programme and administrative challenges associated with managing projects in such context, UNDP Indonesia's own administration is quite centralized, leaving the programme offices in Aceh and Papua limited authority regarding resource allocations, recruitment and procurement. In building a constructive relationship with local government bodies and CSOs in the provinces, this limitation places UNDP at a clear disadvantage.

UNDP Indonesia's record of fostering sustainable interventions has been largely satisfactory, mostly due to a systematic multi-stakeholder approach from the planning stage through to the transfer of management to Indonesian hands. However, there were some areas of weakness where projects were terminated due to lack of funding and well thought-through exit strategies.

Projects engaging CSOs and local institutions in managing resources and processes have generally led to sustainable results. These were accomplished either by mainstreaming in GoI (for example, in the case of the Aceh reconstruction) or by transferring responsibility to CSOs or independent institutions (for example, in the Partnership for Governance Reform in Indonesia Project). Election support is a good

example of phasing out external support in pace with growing domestic capacity. Conversely, there are examples where UNDP has overestimated the degree of commitment of national stakeholders and where no realistic exit strategies were in place. In particular, there have been too many instances of pilot projects that were abandoned when they ran out of funds.

It is important that Indonesia Country Office management, together with GoI, take a firm grip on the priorities for the next country programme. In addition, potential donors should be informed before the market sets its own priorities, resulting in proliferation of small projects.

During the 2001-2009 period, UNDP mobilization of extra-budgetary resources for its Indonesian programme was exceptional. The ratio of non-core to core resources—often referred to as the leverage—rose from 3:1 in 2001 to 8:1 in 2006. Although non-core funding decreased after the post-tsunami peak, core funding fell faster, resulting in leverage greater than 10 in 2008. With Indonesia attaining middle-income country status, both core resources and leverage are likely to continue to decline. Non-core funding for UNDP projects is also decreasing rapidly, as multi-donor trust funds contributed in the wake of the tsunami are exhausted and Indonesia attains middle-income country status. Most of the remaining projects in the present country programme run out in 2010. This has left programme managers scrambling for funds for new and ongoing projects.

UNDP Indonesia has, in general, developed and managed its programme and projects based on good practice of results-based management. It has also demonstrated clear commitment to supporting the Jakarta Commitment. However, operationalizing the principles of the Jakarta Commitment in UNDP programming to ensure national ownership, alignment, and application of national systems and practices requires concerted efforts and a clear multi-year strategy.

UNDP Indonesia should be commended for: developing a robust planning, monitoring and evaluation unit; training staff and partners in various project management methods; and institutionalizing regular highly participatory review exercises with implementing partners and other stakeholders. However, there is a need to shift the focus of monitoring and reporting from output to outcome level, and to strengthen the strategic nature of the choice, use and coordination of evaluation activities across the programmes.

Through the Jakarta Commitment of January 2009, GoI and its international development partners have agreed to implement the Paris Declaration on Aid Effectiveness. The implementation of the Jakarta Commitment means the UNDP programme needs to be managed differently, particularly with regard to the UNDP role in providing procurement support for national execution/national implementation modality projects. In many if not most cases, GoI has handed the procurement function back to UNDP, even when the agreement stipulates national execution/national implementation modality. The long-term solution to the procurement problem lies in building capacity in the Indonesian administration, both for conducting the procurement process and for protecting its integrity. UNDP Indonesia has been given an important role in the process as manager of a transitional trust fund to facilitate the harmonization of external assistance with GoI systems and requirements in order to make the most effective use of its resource inputs. This role calls on UNDP to use both its facilitating skills to build confidence in the process and its capacity building abilities to help GoI overcome weaknesses in areas such as procurement.

The performance of UNDP Indonesia has been generally satisfactory in terms of contributing to the promotion of UN values (such as MDGs, rights-based approaches and gender) and crosscutting themes (such as capacity development for decentralization and South-South cooperation) in its programming.

Having adopted the MDGs as targets for its development planning, GoI has invited UNDP to assist in its efforts by making planning instruments more effective and by mobilizing popular support. UNDP has

responded well to this invitation by working closely with BAPPENAS and the National Bureau of Statistics and helping produce a series of national and regional human development reports and methods for monitoring MDG achievements at national and sub-national levels.

With regard to a rights-based approach to development, in the CPAP 2006-2010, UNDP cited the importance of an integrated rights-based approach as a priority for future programming. The multi-stakeholder approach involving CSOs and several levels of government has been deliberately used to apply a rights-based approach to the delivery of public services, like in the Building and Reinventing Decentralized Governance Project and support for the reconstruction of Aceh.

In the past two programmes, UNDP has aimed to support efforts to mainstream gender issues in the formulation and execution of all policies and development programmes. UNDP has worked towards the improvement of gender equality with targeted projects, including Support for Mainstreaming Gender into Development Policies and Programmes, as well as through components of other projects, such as the Peace Through Development Project. Many projects in all the four programmes include components or requirements for supporting gender equality, although the degree of mainstreaming varied across the programmes. While there were some good examples of effective South-South cooperation, the practice within the current UNDP programme has not been systematic.

UNDP Indonesia has contributed positively to GoI capacity development efforts for decentralization through a comprehensive approach, which was developed based on systematic needs assessment and analysis of the roles of institutions and incentive structures. UNDP support went beyond time-bound individual training activities with an aim to making the results more owned and sustained. This approach is currently being applied in some Papuan districts under a UNDP supported project, and there are plans for further replication. Despite the positive aspects of this approach, some challenges exist, such as confusion caused by contradictions in the national legislation and a relatively high rotational rate in many local governments, making it difficult to retain capacity developed and knowledge acquired in a medium to longer term. There is a need for the country office to be mindful of these challenges before further replicating this approach.

Recommendations

1. UNDP Indonesia should support Indonesia's transition to middle-income country status by relying more on its relative advantages in networking and innovative approaches to development than on managing projects requiring big inputs of staff and equipment. UNDP Indonesia should set priorities for its resource mobilization for the next three to five years and discuss them with potential sources of funding with a view to drawing up a medium-term plan for raising and deploying financial resources.

The strength of UNDP lies in the confidence of its partners and its capacity for innovation as part of a global network. The availability of non-core resources is likely to decline in the immediate future, commensurate with the shift in national development priorities and Indonesia's middle-income country status. UNDP should review its relative strengths and offer GoI continued and deepened support in areas where those strengths are in evidence. The shifting resource scenario will challenge UNDP to concentrate on what it is particularly good at. Weaknesses include slow and inefficient delivery of services due to complex procedures involving too many decision makers and unpredictable funding. To oversimplify, UNDP is strong when it comes to designing innovative projects and supporting initiatives at the policy level, but weak when it comes to managing complex projects with many stakeholders in remote areas—particularly when long duration and secure funding are required to produce results. UNDP can continue to

remain relevant to GoI national priorities and play a substantial role by being more strategic, continuing to shift its focus at the policy level, and doing more with less resources in the future.

2. In order to strengthen its strategic focus and use of reducing resources, UNDP Indonesia's geographical focus should be continued.

In the CPD/CPAP 2006-2010, UNDP concluded that overstretched interventions in a vast and diverse country such as Indonesia would be less effective than focusing programme resources on specific regions, in particular those with the lowest human development indices, highest poverty rates, and most vulnerability to crisis. In implementing the current country programme, UNDP has successfully established recovery and peace-building programmes in Aceh and Maluku, and has made a long-term commitment to capacity development in Papua. These are deliberate and positive steps in the direction proposed by CPD/CPAP, which should be continued and consolidated in the next country programme. In a situation of rapidly shrinking resources, however, UNDP should think twice before engaging in any new regional venture of the same scope and complexity.

3. UNDP Indonesia should review its partnership strategy to engage more actively with the private sector and local government, and to strengthen the advocacy role of its CSO partners for advocacy.

In coming years, it is conceivable that the brunt of the UNDP programme will gradually shift from service delivery to policy analysis and advice, in which case the emphasis on its CSO partnerships should move in the direction of advocacy and innovation.

4. UNDP Indonesia should actively engage major Indonesian stakeholders—including GoI agencies, CSOs and private-sector actors—in a national discussion of policies and measures against climate change.

The UNDP Energy and Environment Programme has addressed problems that are very relevant to sustainable development, in particular climate change and ozone depletion. Now the programme needs to sharpen its focus and bring the large number of ongoing projects into a strategic framework. UNDP Indonesia has also, to a large extent, relied on the Global Environment Facility and the Montreal Protocol to fund its programme, where project formulation is relatively structured. Now, the environment programme should work closely with other actors such as CSOs and the private sector to enable the formulation of flexible and innovative initiatives contributing towards the medium- and long-term goals of UNDP and the government.

5. UNDP Indonesia should improve sustainability of results by working with BAPPENAS, implementing partners and beneficiaries to develop realistic exit strategies at the time of planning. With a wider application of a programme approach to planning UNDP interventions, the changing roles among the partners during the life of an intervention will be better managed through integration in the host administration from the very outset.

Strategies for sustainability of results must be based on incentives to assume ownership, capacity development and optimal use of existing systems and structures, both at the central government level and in the local administrations where policies affecting the poor are implemented. UNDP has usually built its exit strategies based on capacity development rather than changing the incentive structure. At the project level, particularly with pilot and innovative projects, the financial uncertainty inherent in the highly leveraged programme funding of UNDP is also a factor that can threaten both sustainability and effectiveness. This challenge should be remedied by stricter rules for designing pilot projects, requiring mutual commitment to an exit strategy. Where financing is not secured for the entire life of the proposed

project, for reasons of accountability and managing for results, its targets as well as its exit strategy should be regularly reviewed by the partners.

6. UNDP Indonesia should continue to strengthen the results orientation of its programme by further improving the outcome orientation of monitoring and reporting, and making the evaluation plan more strategic based on management and strategic information needs.

UNDP Indonesia has devised innovative monitoring and review systems and mechanisms with close participation of key national stakeholders. This momentum should be kept by maintaining a strong planning, monitoring and evaluation unit that oversees and coordinates results-based management and monitoring and evaluation activities, across the programme units and ensures the strategic use of information for management decision making—making the choice of evaluation more strategic and ensuring the stronger outcome-orientation in its monitoring, reporting and evaluation.

7. UNDP Indonesia should also review the rules and routines for project management in order to enhance management efficiency of its programme.

With a view to improving management efficiency and responsiveness, within the parameters of the UNDP corporate prescriptive content in particular, UNDP Indonesia should decentralize decision-making authorities as far as possible to programme managers in the country office and, in the cases of Aceh and Papua, to the programme or project offices.

8. To speed up implementation of the Jakarta Commitment principles, procurement training and certification should be initiated quickly and without prejudice to the common road map laid down by GoI in the Aid for Development Effectiveness Project.

UNDP Indonesia should give urgent attention to assisting GoI in removing the obstacles to applying national implementation modality/national execution rules in a ‘complete’ manner.