

Ex-post Evaluation Report 2011-1-1

# **COUNTRY EVALUATION FOR THE INDONESIA**

The Export-Import Bank of Korea  
(Government Agency for the EDCF)

EDCF Evaluation Team  
(Evaluated by Korea Institute for Development Strategy)

## 1. EXECUTIVE SUMMARY

Indonesia is one of main partner countries to which Korean ODA has been most actively provided since the establishment of EDCF and provision of systematic ODA programs for development. This paper has set up a comprehensive evaluation of the Country Cooperation Strategy and Program (CCSP)<sup>1</sup>, project process and individual projects for Indonesia in order to identify the direction for future operations of EDCF. The major findings are as follows:

First, CCSP on Indonesia has effectively set the basic direction and the framework for assistance programs for Indonesia. EDCF has established and operated CCSP for Indonesia since the mid-2000s, during which time the scope of assistance has been significantly expanded and the need for a more systematic program operation system has been raised. The opinions of national stakeholders had not been taken enough during the process of CCSP establishment. However, CCSP was established through discussion with the Indonesian government, and the results have been widely shared or utilized by various stakeholders as well as the partner government. The CCSP for Indonesia provided the basic direction and strategy for the implementation of EDCF projects for Indonesia, based on a macroeconomic analysis of Indonesia's economic development, development strategy of Indonesia and an evaluation of the roles and contributions of related stakeholders. In addition, the CCSP for Indonesia was aligned with Korea's ODA Strategy that was established and implemented in the same period, as well as the EDCF Management Plan. The CCSP has also announced its willingness to provide Indonesia with active assistance based on Indonesia's cooperation potential. The EDCF projects for Indonesia have been systematically operated by the signing of Framework Arrangement (F/A), the preparation of Rolling Plan, and the holding of policy dialogues based on the CCSP.

Second, although the project process of EDCF for Indonesia has been operated systematically, there are still some areas to be improved. The process has been carried out in a sequential manner, from establishment of strategy to M&E, and specific standards and guidelines are established for each stage. However, regardless of systematic operation, there are some areas for improvement in aspects of relevance and efficiency.

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<sup>1</sup> The Country Cooperation Strategy and Program (CCSP) is the 5-year policy document of the Korean government by which the direction and strategy of EDCF programs for individual partner countries are featured. Similar to the Country Assistance Strategy (CAS) usually named by other several donors, the name of the CCSP is referred as the Country Partnership Strategy (CPS) since the Korean government formulated the integrated ODA strategy in order to develop a unified goal for all Korean development assistance.

Third, in the evaluation on 15 projects of EDCF that were approved between 1987 and 2009, it was proven that those projects were very successful. However, in our analysis of the detailed evaluation results, there were areas to be improved in terms of efficiency and sustainability.

Our comprehensive evaluation on CCSP, project process and individual projects showed there were some areas requiring minor improvements, but overall, the EDCF assistance for Indonesia were successful. The following are recommendations provided based on the results of the evaluation.

**(Development of New CCSP)**

- ① Setting of Directions of ODA in Consideration of Changes in Development Environments
- ② Development of Integrated Country Partnership Strategy (CPS)
- ③ Alignment and Coordination between Concessional Loan and Grant Aid Programs
- ④ Alignment and Work Division with Other Development Partners

**(Improvement of Project Process)**

- ① Modification and Revision of Implementation Plans by Stage
- ② Reinforcement of Connection and Feedback among Stages
- ③ Reinforcement of Preparations and Consultations
- ④ Establishment of Monitoring System and Diversification of M&E Methods

**(Development of Performance-Oriented Program Operation Systems)**

- ① Introduction of Program Based Approach (PBA)
- ② Project Implementation from a long-term perspective
- ③ Diversification of assistance methods

**(Others)**

- ① Consideration of Indonesia's social and cultural factors
- ② Reinforcement of quality assurance procedures of materials and equipment
- ③ Improvement of financial sustainability

## **2. INTRODUCTION**

### **2.1. Evaluation Purpose**

As the scope of ODA provided by the EDCF to Indonesia is expanded and concessional loan projects are being incorporated into CCSP, it is necessary to conduct evaluation to identify areas to be improved and review the improvement plans. This evaluation is aimed to derive lessons as well as recommendations for CCSP, project process and projects for Indonesia.

### **2.2. Evaluation Scope**

The scope of evaluation includes CCSP, project process and projects for Indonesia. It is aimed to comprehensively evaluate the overall cooperation for Indonesia by analyzing CCSP, which shows the macroscopic direction of EDCF assistance for Indonesia, project process which conducts implementation of projects, and evaluation of projects. In detail, the scope is CCSP, which was established in 2005, project process, and 15 projects from 1987 to 2010.

### **2.3. Evaluation Methodology**

This evaluation was conducted by the KDS (Korea Institute for Development Strategy), entrusted by EDCF, as an external independent evaluator.

In terms of the methods of evaluation, domestic and local research in Indonesia was combined. Along with the research to be complementary, surveys, interviews, field visits and joint evaluation workshop was conducted. The evaluation aimed to maintain balance by incorporating both qualitative and quantitative evaluations.

## **3. DEVELOPMENT ENVIRONMENT AND POLICY OF INDONESIA**

### **3.1 Development Environment of Indonesia**

Thanks to its political and social stability, Indonesia's economy recorded an annual average growth rate of 5.4% from 2000 to 2004. Since the Yudhoyono government took office in 2005, the country has recorded an even higher growth rate of 6.6% by 2008, upgrading its economic status from low income country (LIC) to lower middle income country (LMIC).

Indonesia has received diverse development assistance thus far, and is currently reinforcing its self-directed efforts by selectively taking loans based on its economic growth. It is gradually expanding its role in the international community by reinforcing south-south cooperation and participating in international peacekeeping activities.

### **3.2. National Development Policy of Indonesia**

Since the current government took office in 2005, Indonesia has established and implemented the five-year National Medium-term Development Plan (RPJMN) under the National Long-term Development Plan 2005-2025 (RPJPN), which aims to make Indonesia an independent, advanced, just and prosperous country.

### **3.3. Development Cooperation Policy of Indonesia**

The government of Indonesia has been implementing various cooperation projects by operating both channels, bilateral dialogues with respective development partners and multilateral consultations through the mechanism of the Jakarta Commitment. In particular, the government has reinforced ownership as the main actor of development, built more effective and comprehensive development partnerships, and maximized the results of its development efforts through the Jakarta Commitment.

In accordance with Presidential Regulation No. 7 of 2011 on Foreign Loan Plan Needs 2010-2014, the government has set a policy to allocate properly foreign loans based on development priorities, and selectively utilize the loans to secure financial soundness.

### **3.4. Status of ODA for Indonesia at the International Level**

The international community has continuously provided ODA to Indonesia, and the size of ODA has continuously been expanded. Bilateral ODA dominates ODA in Indonesia, accounting for about 90% of all assistance to Indonesia. As Indonesia increased its national status to LMIC, WB and ADB have recently suspended the provision of concessional loans but increased non-concessional loans.

Bilateral donors are developing new directions for cooperation based on the perspective of each country regarding the strategic significance of their partnership with Indonesia. In

addition, multilateral assistance organizations are also changing their cooperation strategies with Indonesia, considering the economic development of Indonesia and the government's changes in cooperation policies and loan management policies. Cooperation is being expanded for existing priorities, including the eradication of poverty and the facilitation of growth, through the activation of non-public economy, infrastructure building and improvement of educational and healthcare services; as well as cooperation for new areas including the improvement of democratic governance, the improvement of the environment and the reinforcement of natural resources management. At the same time, the issue of balanced regional development is also being considered.

#### 4. CCSP AND PERFORMANCE OF EDCF

EDCF for Indonesia totaled USD 545.1 million as of the end of 2010 (8.5% of the EDCF total) on the approval basis, and USD 211.2 million (7.8% of the EDCF total) on the disbursement basis. Indonesia is the second largest partner country of EDCF, following Vietnam, as of the end of 2010, on the approval basis.

CCSP for Indonesia was established as the first-of-its-kind in September 2005. CCSP aims to prioritize cooperation with partner countries with great economic cooperation potential through EDCF in the mid-term perspective, and provide high-priority partner countries with systematic and efficient assistance.

##### Main Contents of the CCSP for Indonesia (2006-2009)

Items	Descriptions
(1) Objectives	<ul style="list-style-type: none"> <li>① Help lay a foundation for sustainable growth</li> <li>② Help meet the BHN of Indonesia</li> </ul>
(2) Strategies	<ul style="list-style-type: none"> <li>① Expansion of cooperation volume <ul style="list-style-type: none"> <li>- Provide EDCF loans up to 300 million from 2006 to 2009</li> </ul> </li> <li>② Support with selective attention</li> <li>③ Operate strategic projects through policy dialogues</li> </ul>
(3) Priority sectors	<ul style="list-style-type: none"> <li>① ICT (Information and Communications Technology) <ul style="list-style-type: none"> <li>- SI(System integration) industry, including e-government systems</li> </ul> </li> <li>② Develop water resources and transportation</li> <li>③ Sectors related to BHN <ul style="list-style-type: none"> <li>- Eradication of poverty and promotion of education</li> </ul> </li> </ul>

(4) Plans to Improve Aid Effectiveness	<ul style="list-style-type: none"> <li>① Select and operate promising projects</li> <li>② Build partnerships with other development partners</li> <li>③ Utilize KSP (Knowledge Sharing Program)</li> </ul>
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Source: Ministry of Strategy and Finance (2005), *CCSP for Indonesia, 2006-2009*.

Since EDCF was established in 1987, the EDCF assistance projects for Indonesia have been operated in two types including development project loan and equipment loan, focusing on seven different sectors including ICT, transportation and energy.

The total budget of EDCF projects for Indonesia between 1987 and 2010 reached USD 545.1 million, 18 projects in 7 sectors. In terms of budget support by sector, USD 35 million was used for 2 education projects, USD 97 million for 2 transportation projects, USD 36.2 million for 2 public administration projects, USD 142.9 million for 5 health projects, USD 40 million for 1 water supply and sewerage project, USD 100 million for 1 water resources project and USD 94 million for 3 ICT projects.

## 5. COMPREHENSIVE EVALUATION OF EDCF ODA FOR INDONESIA

### 5.1. CCSP

#### 1) Appropriateness of CCSP Establishment Procedures

The result of evaluation on establishment system and procedures of CCSP is good. Although there were no prescribed procedures and methods for the development of CCSP at the point of CCSP development, the Ministry of Strategy and Finance, the EDCF headquarters and BAPPENAS systematically cooperate with each other by playing the appropriate roles.

The tenure of the CCSP, formulated in 2006, has been terminated in 2009, but assistance for Indonesia is still being provided as an extension of the existing CCSP. Efforts to develop a Country Partnership Strategy (CPS) that incorporates grant aid and concessional loan programs for Indonesia are being in a process now.

If the CCSP development systems and procedures are modified and better reflect the opinions of domestic and foreign stakeholders in the process of the new CPS establishment, the appropriateness of the CCSP will be further improved.

## **2) Rationale of Contents**

Based on the results of the review on the development strategies and the economic development status of Indonesia, CCSP defined objectives and directions of EDCF assistance, key sectors for support, implementation strategy and plans of projects. CCSP has a framework that includes the objectives of country cooperation and implementation strategies, and it is rated highly in terms of suggestions to improve aid effectiveness. In addition, it is estimated that CCSP has appropriately identified areas to be improved in EDCF program implementation, according to the analysis of the roles and contributions of other assistance organizations to Indonesia, and the past assistance experiences of Korea in Indonesia's development. CCSP has provided the directions for future improvements, based on those efforts.

CCSP for Indonesia is also well aligned with higher policies and strategies. Above all, the country assistance strategy for Indonesia was established and implemented in a timely manner when the need for strategic operation of assistance program for priority partner countries began to emerge. CCSP is well aligned with the ODA policy of the Korean government, and properly reflects the development needs of the Indonesian government.

In addition, the country assistance strategy was developed and implemented in a timely manner when Indonesia was developing and implementing the new national mid-to-long-term development plan so that it enabled to reflect the development needs of the Indonesian government properly. The CCSP are aligned with the directions and priorities of development strategies defined by RPJPN 2005-2025 and RPJMN 2004-2009, which the Indonesian government has implemented since 2004.

In terms of connectivity to and coordination with other development partners, EDCF has made efforts to pursue efficient alignment and cooperation with other assistance channels including grant aid program in Korea, while pursuing aid harmonization with other donors. The comprehensive information system was developed and operated to support the coordination of the development assistance projects of EDCF, government agencies and organizations. In addition, a cooperation system with grant aid program operators was developed, and the results of the grant aid program are reflected in the projects of EDCF

CCSP for Indonesia does not define detailed measures to achieve internationally agreed-upon

initiatives, including MDGs, PD and AAA. However, EDCF projects have contributed to the achievement of MDGs, of which the main purpose is the eradication of poverty, by achieving the development goal of the EDCF. In detail, EDCF is estimated to have contributed to the achievement of goals from MDGs 8, including 'Provision of benefits from new technologies, especially information and communications', 'Reducing child mortality', 'Improving maternal health' and 'Ensuring environmental sustainability' through the operation of projects in the sectors of IT, health and the environment.

In relation to the pursuit of PD/AAA agreed to improve aid effectiveness, CCSP for Indonesia has not defined any detailed measures, but was rated highly in relation to most of the pledges from PD/AAA. To further improve the aid effectiveness, EDCF is recommended to participate more actively in the aid harmonization activities, and to gradually increase the portion of untied assistance.

### **3) Usefulness of the Assistance Strategy**

CCSP serves as a document that provides the basic directions and strategies of policies, but it does not easily lend itself to be used as a detailed guideline for implementation.

The country assistance strategy is being used as a tool to define the basic directions and frameworks of assistance programs, and the use of the strategy can be increased even further by being developed into various types. Referring some practices of other donor agencies, the country assistance strategy is being used as a tool to improve the public awareness of development cooperation among the public as well as the stakeholders. It is recommended to use the country assistance strategy as a guideline for more stakeholders, and as a tool to achieve various purposes.

## **5.2. Project Process**

### **1) Relevance**

Overall, project process has been systematically operated. Although there are some areas for improvements, connections and relevance of activities among major stages are evaluated as appropriate.

From strategy establishment stage to M&E, project process has been systematically operated

in terms of the entire cycle, but there are some areas requiring improvements. First, in terms of the establishment of strategy and project identification, the time of signing F/A should be adjusted to the beginning of the year to improve the predictability of assistance. Also, after strategy establishment and project identification, employment of consultants, mid-review and ex-post evaluation should be strengthened.

Connection between major stages is fairly in average level, and plans to improve connection level are in need. According to the evaluation of the connection level among major stages, connection level among CCSP, F/A, Rolling Plan and policy consultations stages is appeared to be high. However, by reviewing the connection among stages that were carried after project identification, it was found that the result of each stage was partially applied to the next related stages. In terms of results of environmental impact evaluation on ‘the connection level between appraisal and project implementation’, it was found that some projects have reflected the results of the review, while others have failed to do so. In addition, the analysis of ‘the connection level between M&E and CCSP’ and ‘the connection level between M&E and appraisal’ revealed that the results of M&E were only partially reflected in CCSP and the appraisal. In this sense, overall the connection level among major stages was estimated to be at a moderate level.

The activities in major stages that are considered to affect the performance seriously and quality of projects were reviewed. In addition, the level of participation of stakeholders and the level of understanding on EDCF throughout all the stages were reviewed. The brief results are as follows. First of all, in the activities of major stages, allocation of HR and activity duration and detailed implementation plan need to be improved. Second, the level of participation of stakeholders and the level of understanding on EDCF was estimated to be high, but efforts need to be made to elicit the participation of more diverse stakeholders.

## **2) Efficiency**

In relation to EDCF assistance for Indonesia, the inter-governmental agreement process has been continuously improved, and it is estimated that such improvements have contributed to the improvement of efficiency on actual process of project implementation. Especially, after adopting F/A, processing time has been significantly shorten from decision of the Korean government on loans to signing of L/A.

However, considering the average process period of EDCF projects, the period taken in

EDCF projects for Indonesia still needs to be shortened. For the prompt implementation of EDCF projects, project executing agencies are recommended to make the appropriate preparations for projects, including land purchase. In addition, the close and prompt cooperation between EDCF and project executing agencies and the proactive management of risk factors are in need.

The progress against schedule of EDCF projects was reviewed mainly on ‘employment of consultants and procurement contract stage’, ‘project implementation stage’ and ‘M&E stage’. According to the evaluation, there are some delays in the progress. For the successful completion of projects, it may be necessary to make flexible responses through the extension of periods, but it is recommended to take preliminary measures to proceed with projects in line with the planned schedule if possible.

As a result of evaluation of efficiency on the employment of consultants and procurement contract in terms of period, 5 out of 14 projects were delayed. Project executing agencies are required to streamline or accelerate the internal administrative process, and more actively use EDCF’s support, including consultant information services. If there is a request from a project executing agency, the EDCF headquarter supports them by sending information for employment, and providing contact or website information. EDCF is required to accurately identify the administrative challenges faced by project executing agencies, and if necessary, it may consider additional support for information, labor input and financial support for consultant employment.

By reviewing evaluation report of project completion as well as ex-post evaluation, the implementation period of all of the seven completed projects had been extended. The discrepancies between the plans and the actual project implementation periods ranged from four months to two years, which were attributed to various reasons. These reasons can be broadly categorized into ‘occurrence of risk factors during implementation’, ‘changes in the scope of projects’ and “delays and changes of procurement contract”. To prevent the above cases, it is necessary for project executing agencies to conduct stricter and more in-depth feasibility study, and similarly for EDCF to conduct stricter and more in-depth inspections in appraisal process. Through these, it is required to accurately plan the projects, and to reach agreements and confirmations regarding the scope and the contents of the projects between stakeholders so that no changes are made during the project implementation process. In addition, the main actors of project implementation, such as EDCF, project executing agencies and suppliers, should build a close and prompt cooperation system in advance.

Project executing agencies are required to submit a project completion report (PCR) to EDCF within six months after the completion of projects. Project executing agencies have submitted PCRs for all of the nine projects that are subject to submission of PCR, but seven of these failed to meet the deadlines for submission of PCR. On the other hand, in the most of the projects, project completion evaluation was conducted earlier than the plan. However, considering the fact that project completion evaluation is conducted after accepting PCR, and most of PCRs were submitted behind the schedule, project completion evaluation can be also considered as delayed when compared to the initial plan. As seen in this case, the delay of previous stages affect the schedule of succeeding stages.

Ex-post evaluation was conducted for two projects five or six years after their completion of the projects. Currently, ex-post evaluation is supposed to be conducted for all projects. Continuous care needs to be taken to conduct the ex-post evaluation in a timely manner and to produce meaningful outputs.

Overall, the M&E require improvements, and need to be conducted on a regular and planned basis. It is recommended to conduct the evaluation as planned to ensure consistency, and to enable its role as feedback measure.

### **5.3. Projects**

#### **1) Relevance**

All EDCF assistance projects are estimated to be highly relevant to and aligned with CCSP. All of the assessed projects pursued the two major goals of CCSP, 'laying the foundation for the sustainable growth of Indonesia' and 'contributing to areas related to BHN' and overall, proper assistance was given to each sector.

In addition, the EDCF assistance projects are considered as well aligned with the directions of major development policies and the development needs of Indonesia. The strategic elements provided by the key development policies of Indonesia were highly relevant to the EDCF projects assessed, and the projects recently implemented in the health sector, the public administration sector and the ICT sector are perfectly matched with the major development initiatives under RPJMN of the Indonesian government.

## **2) Efficiency**

Of the nine EDCF assistance projects that have been completed, seven projects were behind schedule, except for the two for which completion evaluation is still to be made. This indicates that the efficiency of the EDCF assistance projects is not that high.

Project costs did not exceed the EDCF budgets, but in most of the projects, planned contents of projects were changed during implementation, mainly due to external factors such as inflation, fluctuations of exchange rates and requests of the Indonesian government.

## **3) Effectiveness**

In relation to the establishment and achievement of goals, the EDCF assistance projects are estimated to be effective. In particular, the level of satisfaction with the construction of facilities and the supply of equipment appeared to be very high.

The ‘National Criminal Information Center Development Project’, which was recently completed, had a proper goal and the goal was effectively achieved. Prior to the implementation of this project, the Indonesian police managed criminal records manually due to the lack of an ICT infrastructure. Thanks to the introduction of the digital criminal records management system, the records are now being managed in a more systematic, efficient and integrated manner.

The ‘Batam E-Government Project’ is the first ICT project assisted by Korea for local governments in Indonesia. The scope of the project included ICT system development and the construction of education and training facilities to develop ICT experts. The ICT system included customs clearance, immigration, port management, HR management, budget management and civil service information systems for the local government of Batam. EDCF laid the foundation for full-fledged development of e-government systems for 500 local governments in Indonesia by successfully completing this project.

EDCF assistance projects have contributed to the development of Indonesia in various sectors. As the major contributions, ‘development of technical and management skills’ and ‘creation of economic benefits and income growth’ were highly evaluated. On the other hand, contributions to ‘improvement of policies and institutions’ and ‘improvement of social welfare’ were relatively less significant, because most of the assistance projects did not focus

on the improvement of institutions and capacity building of the central government, but directly supported the income growth of local residents in provincial areas.

#### **4) Impact**

EDCF assistance projects are influential on improvement of policies and institutions in general. In particular, the recently completed ‘National Criminal Information Center Development Project’ in the public administration sector has improved institutions by developing the criminal record sharing system amid growing concerns over domestic security due to recent terror attacks. It is expected that the project will significantly contribute to the safety of society by preventing crimes in the future.

EDCF assistance projects are estimated to have influenced the development of local communities in Indonesia. Only the projects in the ICT sector were operated in Jakarta, the capital city of Indonesia, while the remaining projects in the sectors of transportation, education, health and public administration were operated in the entire region of Indonesia.

The projects implemented for the transportation sector, the ‘Padang By-pass Project’ and the ‘Manado By-pass Project’ are estimated to have contribution to the facilitation of the local economy by making inter-city buses and trucks detour the downtown areas, solving the issue of traffic congestion and improving the cargo transportation capacity.

The ‘Batam E-Government Project’ for the public administration sector has attracted many officials from Indonesia’s local governments to Batam Information Center. These public servants are expressing high interest in the project to build the e-government system. In addition, the Center is operating commissioned education courses for officials from local governments, which indicates that the project has been highly influential.

The projects for the health sector, such as the ‘Improvement of District Hospitals in South & East Kalimantan Project’ and the ‘Improvement of District Hospitals in East Java Province Project’ have focused on the activation of the economy through the improvement of healthcare and hygiene services for local residents by improving the healthcare infrastructure of hospitals in the target regions. The projects are estimated to have contribution in improving the labor capacity and productivity of HR through quality improvement of medical care, decline of disease occurrences and fulfillment of the rapidly growing healthcare demands caused by growth of local economy and increase of income. In addition, the projects are

expected to significantly contribute to improving the economic growth potentials and economic development through the promotion of the health of local residents in the long term.

EDCF assistance projects are estimated to have positive effects on social integration as well as ethical and cultural practices in Indonesia. Increasing social solidarity by narrowing the income gap between regions or between urban and rural areas is the main priority of Indonesian policy.

The projects that have been operated since the mid 2000s for the health, public administration and ICT sectors aim to improve labor forces and productivity. In addition, the projects have lowered the unemployment rate through the development of HR in the ICT sector, contributing to the social integration of Indonesia from a macroscopic perspective.

## **5) Sustainability**

As EDCF assistance projects focus on the creation of social benefits rather than economic profits, it is inevitable that the projects lack financial sustainability after completion. In particular, in most of the projects assessed, the financial sustainability of the projects was seriously threatened if project executing agency failed to secure the budget from the central government after completion.

EDCF assistance projects are estimated to be very sustainable in terms of technology and management. In particular, the level of satisfaction with the overall capability of Korea as a supplier was high. Project executing agencies were very satisfied with the capacity of the technical experts dispatched from Korea, and they could easily use the supplied equipment and materials, as English manuals were provided. In addition, there were no problems in technology transfer, as EDCF closely cooperated with managers from local project executing agency.

## **6) Considerations on Cross-cutting issues**

According to RPJMN and RKP of the Indonesian government, although the Indonesian government considers gender equality and expanding job opportunities for women as significant development initiatives, those issues have not been considered seriously during the project planning. The main reason why women were not considered during the project

development and implementation stage is that most of the projects did not have a serious need to consider gender streamlining.

Nevertheless, the projects are estimated to positively affect women in indirect terms in all areas. As for education sector, projects have provided women with more opportunities for education through the use of state-of-the-art educational equipment and materials. In health sector, the projects have promoted the health of women by providing advanced medical services with cutting-edge medical equipment and materials. In particular, the projects for public administration and ICT have increased the job opportunities for women in the sectors with high preference for female job seekers.

## **6. LESSONS AND RECOMMENDATIONS**

### **6.1. Development of New CCSP**

#### **1) Setting of Directions of ODA in Consideration of Changes in Development Environments**

As the development assistance conditions of Indonesia have changed, it is necessary to set a new direction for Korea's EDCF assistance for Indonesia. First, Korea needs to expand the scope of EDCF assistance, considering the massive development demands of Indonesia. Second, it is recommended to change the contents of projects in response to the changes in Indonesia's development needs. Finally, since Indonesia is the high-priority partner country of EDCF, lots of supports for Indonesia are needed in a strategic point of view. However, consideration on the exit strategy is needed for a long term perspective.

#### **2) Development of Integrated Country Partnership Strategy (CPS)**

In order to effectively achieve the goals of assistance, it is recommended to establish CPS through a systematic approach. The newly developed CPS shall define the basic directions of cooperation strategies for Indonesia, and the major areas of assistance. In addition, the scale of the available assistance needs to be defined during the CPS implementation period, and the major program implementation plans identified. CPS shall also include systematic project implementation plans, project M&E plans and follow-up management plans.

### **3) Alignment and Coordination between Concessional Loan and Grant Aid Programs**

It is recommended to develop measures to efficiently align and coordinate the methods and tools of assistance projects and contract-based cooperation projects, and to pursue policy alignment and the allocation of roles. The efforts to align and coordinate both types of projects in order to fully realize the characteristics and potentials of each type of projects can be defined as four directions, ‘Speed up’, ‘Scale up’, ‘Spread out’ and ‘Support through’.

### **4) Alignment and Work Division with Other Development Partners**

According to Korea’s Master Plan for International Development Cooperation on Concessional Loan and Multilateral Assistance, Indonesia is the world’s second largest partner, following Vietnam, among 26 priority partner countries. Korea will serve as a middle lender for Indonesia by actively implementing projects of concessional loans for Indonesia. Against this backdrop, EDCF needs to actively participate in A4DES activities for the proper allocation of roles with assistance organizations and coordinated program implementation with those organizations. In particular, as Korea has increased its contributions to international development cooperation for green growth, Korea will be able to play a bigger role in assisting Indonesia for green growth compared to other assistance organizations.

## **6.2. Improvement of Project Process**

### **1) Modification and Revision of Implementation Plans by Stage**

It is recommended to modify and revise detailed plans of each stage in process of EDCF project for Indonesia, according to the character and the purposes of each stage. At every stage, opinion exchanges and information sharing between EDCF and related Indonesian organizations are in need.

### **2) Reinforcement of Connection and Feedback among Stages**

‘The level of connection between appraisal and project implementation’, ‘the level of connection between evaluation and CCSP’ and ‘the level of connection between evaluation and appraisal’ should be strengthened. Currently, there are not specialized measures dedicated to strengthen connection and feedback among the major stages. It is necessary to develop measures that ensure the results of a specific stage are reflected in the succeeding and/or

related stages. To this end, the results of evaluation need to be developed into a database and education workshops are recommended to be held to improve awareness of the usefulness of the evaluation results. Also, plans for mandatory reviews on related evaluation results are needed.

### **3) Reinforcement of Preparations and Consultations**

The period between ‘Korean government’s decision on loans and signing of L/A’ and ‘signing of L/A and consultants employment & procurement agreement’ have been significantly shortened since the establishment of EDCF policy, which says ‘consultant employment and procurement contract should be completed 18 month after L/A execution’. However, the processing time is still varied depending on projects. To proactively respond to the development needs of Indonesia and to improve aid effectiveness, shortening of period between major stages should be improved. To this end, preparations should be reinforced by development of measure to support the prompt selection of consultants and application of the early procurement system.

### **4) Establishment of Monitoring System and Diversification of M&E Methods**

While there have been overall discrepancies between target schedules and the actual progress by stage in terms of EDCF activities for Indonesia, there is a lack of monitoring system to manage overall schedules. It is needed to build a monitoring system for systematic collection and review of data on progress and achievements. Also, indicators should be developed, and guidelines needs to be prepared for actions based on the results of monitoring. To this end, it is recommended to more actively conduct mid-review. In addition, M&E methods need to be diversified, using independent evaluation agencies, joint evaluation with BAPPENAS and/or project executing agency and joint evaluation with other donors.

## **6.3. Development of Performance-Oriented Project Operation System**

### **1) Introduction of PBA**

EDCF assistance projects for Indonesia have been operated as individual one, but the PBA (Program-based Approach) is worth considering. PBA may be a great option for countries like Indonesia that receive massive amounts of assistance, in terms of making assistance more effective. In particular, by taking an SWAp (Sector-Wide Approach), which is included in PBA, the ownership of the partner country, linkage among projects and mid-to-long-term

predictability of the projects will be improved, which in turn increases the effectiveness and efficiency of assistance.

## **2) Project Implementation from a Long-term Perspective**

Projects that are implemented through a phased approach shall be implemented in consideration of institutional capacities from the initial stage to the final stage, in accordance with the long-term plan. If the scaling-up of projects in the future is being considered through building the foundation at the stage of project planning, basic surveys, preliminary reviews and consultations will be undertaken more rigorously. The clear direction of the project implementation shall be discussed with the partner country in advance. For example, it must be decided whether the project will be operated in a full-fledged manner after completion of the pilot operation, or whether the project is to be implemented through a phased approach.

## **3) Diversification of Assistance Methods**

The Indonesian government has introduced new methods of public investment techniques including PPP, while actively issuing government bonds and attracting foreign direct investments, in order to diversify financing sources. It is recommended to maximize the efficiency and effectiveness of projects by diversifying the assistance methods, for example, by participating in PPP, in response to the changes of the government policies of Indonesia.

## **6.4. Others**

### **1) Consideration of Indonesia's Social and Cultural Factors**

To solve the problems arising in the process of project implementation due to Indonesia's unique social factors, detailed assistance plans of EDCF that are customized for Indonesia shall be developed. To solve the language problems, an HR pool from which a consultant or a supplier may hire translators could be a good solution. The culture and the weather of Indonesia should be fully reflected in the establishment of the project period at the stage of project planning.

### **2) Reinforcement of Quality Assurance Procedures for Materials and Equipment**

Rigorous quality assurance procedures shall be put in place when supplying the equipment

and materials needed for EDCF projects. Measures to guarantee a certain level of quality must be prepared and applied to any equipment purchased from a third country.

### **3) Improvement of Financial Sustainability**

O&M after completion of projects are needed to be under responsibility of the Indonesian government, or checked through EDCF by improving its financial sustainability. To this end, it is recommended to consider the budget status of the local governments, which is relatively less favorable than that of the central government, and the supply of spare parts, and to differentiate the materials and equipment supplied to the capital areas from those supplied to provincial areas. Finally, it is recommended to improve sustainability through the coordination of concessional loan and grant aid in project implementation.