

ASIAN DEVELOPMENT BANK

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SPECIAL STUDY

ASSESSMENT OF THE EFFECTIVENESS

OF

BANK TECHNICAL ASSISTANCE FOR CAPACITY BUILDING

IN

**INDONESIA
(TA No. 2541-INO)**

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SUMMARY

This Special Study evaluates 61 of the 122 advisory and operational technical assistance (OTA) projects that the Bank had financed in Indonesia as of end-1995.¹ Indonesia is one of the largest recipients of OTA from the Bank. OTAs to Indonesia cover a wide range of sectors and subsectors and 32 recipient agencies. The Study followed a participatory evaluation methodology and thus also reflects user perceptions.

Difficulties were posed in the assessment of the effectiveness of OTAs by (i) the broad generality in the objectives of several OTAs and the lack of specificity in them; (ii) the multiplicity of such objectives and the absence of their prioritization and weightage; (iii) the lack of baseline data, measures of effectiveness in the attainment of objectives, and of objectively verifiable indicators of success; and (iv) the considerable passage of time subsequent to the completion of some OTAs leading to loss of corporate memory, and to overlay by subsequent developments. The Study has had to be based on the best judgement possible under the circumstances.

The Study categorizes the OTAs in the sample studied into two broad categories: (i) OTAs that provided a technical output such as studies and plans, recommendation on policies and regulations, and systems and manuals; and (ii) institutional strengthening and capacity building OTAs that involve the effective transmission of systems, processes, and capacities that would enable independent production of the requisite outputs by recipient agencies. The Study found that 75 percent of the OTAs in the first category were at least partly successful. By contrast, only 41 percent were partly successful or better in achieving sustainable institutional development, a process that is more complex, more demanding, and time-consuming than the provision of technical outputs.

OTAs in all executing agencies were partly successful in terms of their technical effectiveness, but in terms of effectiveness in institution building, they ranged from partly successful to unsuccessful. OTAs for all sectors were partly successful in terms of technical effectiveness, though the level of success was lower in the energy sector; conversely, the level of success in terms of institutional strengthening was low in all sectors except energy. All major activity groups under the OTAs had some success in technical terms except monitoring and evaluation, but the only major activity group that enjoyed some success in institutional strengthening was upgrading statistical information services.

In terms of program focus, OTAs to Indonesia fall into five thematic categories: development/sectoral planning, organizational development, policy reform, environmental management, and privatization. OTAs in the first two categories were rated as partly successful, and those in the other three were rated unsuccessful. In terms of contribution to Indonesia's development management capacity, relatively greater success was achieved by OTAs in strengthening policy formulation and the development and enforcement of the legal framework. The success of OTAs in the mobilization, allocation, and management of finances and investment planning capacities was low. The success level of OTAs in the other areas fell in

¹ In addition, 13 ongoing OTAs were evaluated only for design. Two OTAs were canceled before any disbursements were made.

between. These areas were (i) enhancing public sector efficiencies and effectiveness in the delivery and management of essential infrastructure and services; and (ii) promoting government capacity to work productively with private, voluntary, and community institutions in the development process, as well as the capacity of private, voluntary, and user-group organizations.

The determining factor in the success of technical AOTAs was the consultant. The main factors contributing to the success of institutional strengthening AOTAs were prior diagnostic studies of recipient agencies, recipient commitment and input at a high level in the government/recipient agency, realistic objectives and deliverable outputs, adequate resources and a realistic time horizon, process improvement, the training of trainers, milestones to measure progress, active management involvement throughout the duration of the AOTA, and post-completion benefit sustaining mechanisms. The most common failings in unsuccessful AOTAs were the lack of a focused work program based on realistic objectives and deliverable outputs, and mechanisms to ensure maintenance of improvements after AOTA completion. The significantly higher achievements of the TAs accompanying loans as compared with stand-alone TAs highlight the importance of some of these factors.

AOTAs were not carefully planned to support a coherent capacity building program in critical sectors in the Government or targeted at key agencies. The 122 AOTAs were dispersed over 32 different recipient agencies. Many AOTAs with policy and organizational reform objectives were implemented at levels of government too low to make strategic contributions to overall government sector capacity building. AOTAs were not preceded by a prior diagnostic survey, resulting in incomplete solutions being conceived in the AOTAs. And yet the AOTAs were often ambitious and underresourced. A rigorous methodological framework or a model was lacking in the development of AOTAs which resulted in design deficiencies. In about a third of the AOTAs, the primary determinant of their size was the President's approval ceiling, not necessarily the requirements of AOTA inputs. There was a significant level of client dissatisfaction with AOTA design and with the process of developing the terms of reference (TOR).

Commitment at the appropriate levels of Government was not first established at the identification and design stages. In some cases, recipient agencies used AOTA funds to do things that they did not want to commit their own funds to, or they found convenient to be done by outside sources. More often than not, counterparts were allocated by agencies on a part-time basis with priority given to their regular work. In 76 percent of AOTAs evaluated, the consultants produced a product for an agency rather than assisting the agency to develop the competencies to do the job for itself. But the sustainability of the benefits of the former was distinctly lower than the latter. Training was ineffective and did not have sustainability or impact because too few people were trained and those trained were not trainers or senior management. TA budgets were shoestring. Performance monitoring and supervision were weak and not participatory. In a number of cases, the ceiling of \$600,000 made TAs into short-term instruments to address institutional strengthening tasks which are usually long term in their implementation.

Recipient agency satisfaction with consultants' performance was high at 76 percent. The reasons for non-satisfaction with the other 24 percent included (i) non-participatory selection of consultants; (ii) consultants' lack of cultural sensitivity; (iii) consultants not involving recipient agency staff in decision-making; (iv) complex and unusable products prepared by consultants; and (v) consultants' working out of their home office for significant periods of time.

The reports produced by consultants were not always translated into Bahasa Indonesia, thus limiting the audience and transfer of knowledge.

Major issues identified in this Study include (i) a mixed level of commitment to and ownership of AOTAs on the part of Government; (ii) a lack of strategic focus to guide the identification of priority areas which could use TAs effectively; (iii) a lack of a strategic idea of the purposes of AOTAs in the Bank, especially given the limited funding available; (iv) inadequate data base in the Bank about prior experience with AOTAs; (v) deficiencies in AOTA design formulation which resulted in many TAs being unlikely to achieve their stated objectives; (vi) the tendency to cost TAs at President's approval limit of TAs at \$600,000, resulting in the mismatch of resources with objectives; (vii) shortcomings in training focus, design, and delivery, (viii) ineffective TA monitoring including lack of feedback from the recipient agency and the lack of monitorable indicators; and (ix) the absence of any systematic follow-up by the Bank on the implementation of changes recommended by an AOTA.

Major Study recommendations are for the Bank to (i) work closely with the Government to develop a collaborative process to improve the identification and delivery of AOTAs; (ii) focus its strategic objectives in Indonesia more clearly and determine the real function of AOTAs; (iii) ensure that staff formulating AOTAs identify the effective client, and obtain such clients' commitment to TA priority, as well as to recipient agency resources, and to the TOR, TA approach, and participation of the agency management in the change process; (iv) review the process by which AOTAs are designed, establish a comprehensive and rigorous methodology to ensure that objectives, processing, and key success indicators are clearly identified, with special attention paid to training requirements and change management expertise, and that activities and resources are matched to achieve those AOTA objectives, and reflected in the logical framework; (v) establish an in-house mechanism and data base to provide quality control of the design of capacity building and institutional strengthening TAs; (vi) evolve a more participatory and rigorous selection process for selecting consultants to undertake AOTAs; and (vii) develop effective mechanisms for monitoring of AOTAs during implementation, and for continued monitoring of the implementation of AOTA recommendations after AOTA completion.

A number of initiatives have been taken in the Bank recently to address through systemic solutions some of the issues identified by this Study. These include the identification of priority sectors for institutional development, of the intended program focus in some of these sectors, and of key agencies for organizational development. A wide-ranging review of TA operations has been undertaken by the Strategy and Policy Office (SPO) under the guidance of an interdepartmental working group on TA operations, and a number of recommendations have been made to simplify the procedures for TA approval; introduce rigor in TA identification, processing, and design; and improve implementation processes and training in the TAs as well as the supervision and evaluation of TAs. Recommendations based on this review are likely to come up for approval in the near future, and will meet a number of the concerns identified in this Study.

I. INTRODUCTION

1. The provision of advisory and operational technical assistance (AOTA) grants to strengthen institutions and build the capacities of developing member countries (DMCs) is an important feature of the Bank's operations. The objectives of the Bank's technical assistance (TA) are to facilitate the flow and efficient utilization of development finance to its DMCs and enhance their development capacity. Bank TAs comprise various forms: project preparatory, project implementation, advisory, and regional TA (RETA). Advisory technical assistance (ADTA) is meant for financing institution building, plan formulation, and sector-, policy-, and issue-oriented studies. Project Implementation TA (PITA) is provided for assistance in the implementation, operation, and management of Bank-financed projects. The Bank's operational statistics combine PITA and ADTA into the single AOTA category because PITA may include advisory elements and ADTA may include project-specific elements. ADTAs are normally financed by a grant. PITAs may also be financed as grants.

2. As of 31 December 1995, the Bank had provided 1,428 AOTAs to its DMCs for an amount of about \$639 million. Bank AOTA grants quadrupled in number between 1986 and 1995, reflecting an increased emphasis on sector and policy analysis, capacity building, and cross-cutting issues, and averaged about \$76 million per annum during 1993-1995. Capacity building¹ has recently moved to center place as an independent objective of development and given the recognition of its importance for development management, and the increased emphasis on governance issues. Effectiveness in capacity building is increasingly seen as the key to project quality, operational impact, and sustainability. "Capacity building for development management" is an operating objective of the Bank's Medium-term Strategic Framework, 1995-1998.

3. A number of initiatives are afoot to streamline the Bank's TA operations. In April 1995, the Bank adopted *Initial Staff Guidelines on the Bank's Capacity Building Services to DMCs*. The Guidelines reflect the recent debate on the subject in the development community and underline the need for medium and long-term programs that are based on solid sector and institutional analysis and strong DMC ownership. They suggest that capacity building programs should identify shortcomings as well as realistic and monitorable objectives at the sector level, develop a holistic approach to address such shortcomings through continuing interaction with the affected stakeholders, and identify the appropriate mix of lending and TA grants necessary to achieve the desired objectives. The Bank is reorienting its activities in this direction. The Strategy and Policy Office (SPO) has recently prepared a paper on TA operations under the guidance of the Interdepartmental Working Group on TA Operations.

4. The Bank's policy on governance was approved by the Board on 3 October 1995.² The Bank's approach proposes four areas of action, aimed at promoting accountability, participation, predictability, and transparency in the formulation and implementation of policies.

¹ The phrase "capacity building," given its connotations of creating capacity from scratch, is yielding place in the international community to the term "capacity development" which implies the enhancement of abilities and capacities that already exist in some form. However, the terms "capacity building" and "institutional strengthening" are generally used in this Report because of their greater familiarity in the Bank.

² DOC: R151-95, "Governance: Sound Development Management," dated 17 August 1995.

Adoption of this policy will heighten the emphasis on improving public sector management, civil service reform, legal and regulatory frameworks, and participation. In those DMCs where sufficient political commitment can be generated on these issues, technical assistance will play a significant role in promoting such changes at the national or sector level.

5. The Bank is establishing an ADB Institute, which would be engaged in activities aimed at improving DMCs' capacity for sound development management. The Institute could provide inputs into and strengthen Bank TA operations, and could complement the Bank in selected activities.

6. The Post-Evaluation Office (PEO) has initiated studies of AOTAs in selected countries to provide the feedback to make future AOTAs more relevant, effective, and sustainable.¹ Indonesia has been selected for this Study as it is the Bank's largest borrower on a cumulative basis. It is a country with a large and diverse resource base, and a variety of sectors and subsectors with substantial Bank operations. The Bank's projects in Indonesia have had varying levels of efficiency in implementation, reflecting the institutional situation in the country. As of 31 December 1995, Indonesia was the second largest recipient of Bank AOTAs in terms of number at 120, and the fourth largest in terms of amount at \$48.5 million. These AOTAs have been provided to 32 Government departments and agencies in several sectors. The largest group of AOTAs has been provided to build capacity in the agriculture sector (including irrigation, rural development, and agro-industry), with social infrastructure, energy, and the financial sector as other major beneficiaries. Assistance has also been provided to transport and communications, and industry and non-fuel minerals. Ongoing AOTAs for institutional strengthening support improving policymaking and extension functions of the Ministry of Agriculture, upgrading of water resources planning capabilities in the water resources sector, and capacity building of the institutions engaged in women in development (WID) activities in the country. Continued assistance for capacity building to Indonesia is indicated in several major sectors, hence the importance of the feedback to improve future TA operations there.

II. BACKGROUND

A. The Bank's Operational Strategy in Indonesia

7. Indonesia is the Bank's largest borrower with cumulative borrowing at \$12.1 billion at the end of 1995, involving a total of 206 loans.² The sectors that received most support in financial terms were agriculture (25.5 percent), social infrastructure (24.5 percent), energy (22.5 percent), transport and communications (16.3 percent), and finance (7.7 percent).

8. The operational strategy of the Bank in Indonesia has evolved over the years in line with the objectives of the Government's development plans. The 1989 strategy which governed a large number of TAs covered in this Study focused on the promotion of non-oil

¹ Such studies have been completed for Western Samoa, Nepal, and Vanuatu.

² In recent years, Bank lending to the People's Republic of China has been larger than lending to Indonesia.

exports, domestic resource mobilization, employment generation, meeting basic needs, human resource development, increased private sector participation, and improving the efficiency of existing investment while optimizing resource utilization. These issues were to be the prime focus of the operational program irrespective of sectoral emphasis¹. Since 1992, the Bank has adopted a three-pronged approach in its operations in Indonesia by emphasizing (i) growth through investments in physical, financial, and social infrastructure; (ii) employment generation and increased productivity through human resource development; and (iii) environmental management to promote sustainable natural resource utilization and conservation.

B. Characteristics of the Bank's AOTA Program in Indonesia

1. Composition

9. The very first TA sponsored by the Bank was in Indonesia, shortly after the Bank's establishment in 1967.² It was designed to formulate recommendations to improve food production and distribution in Indonesia during 1968-1970. The report was well received, most recommendations were implemented, and the study served to identify many areas where TA was required in the future. The Government became involved in this TA at the highest political and management levels. At this very early stage of the Bank's experience, a key lesson was learned: a keen sense of commitment and ownership on the part of a government is closely linked to TA success. Eight AOTAs were approved for Indonesia during 1967-1973, none during 1974-1978, and 12 during 1978-1985. Starting 1986, the Bank became deeply involved in AOTAs in Indonesia, with annual increases in number and value which peaked in 1990. The number and value have since declined. Annual amounts expended on AOTAs closely mirror the number of TAs.

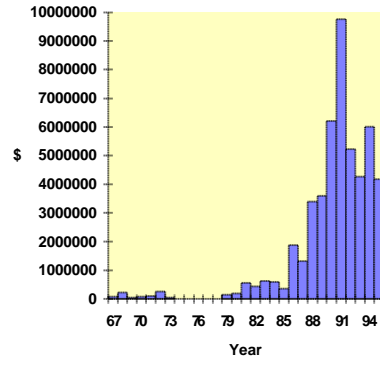
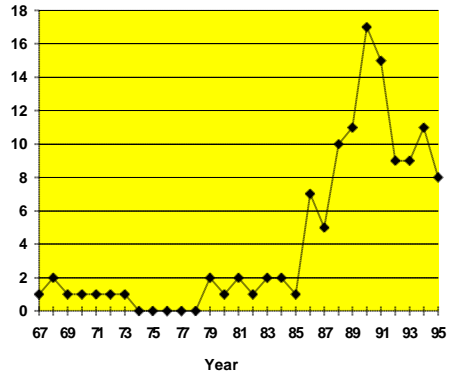
Illustration 1: Number and Value of AOTAs per Annum

Number

Value

¹ ADB, *Bank Operational Strategy for Indonesia*, 1989, p. ii.

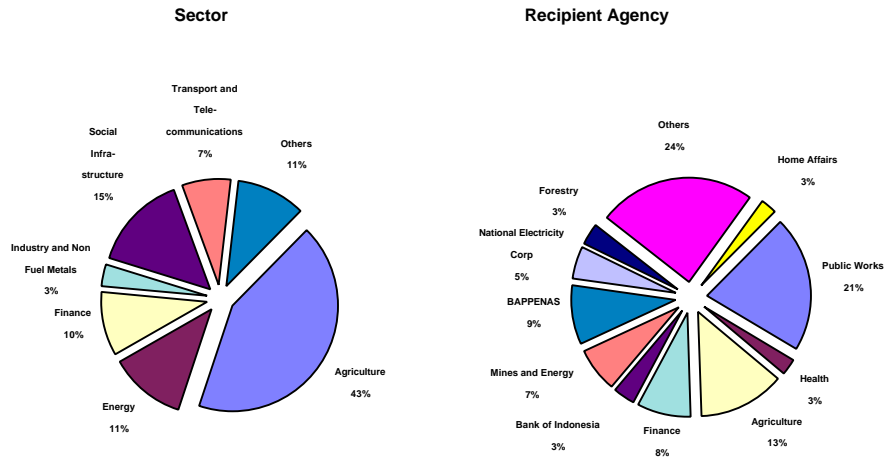
² TA No. 0001-INO: *Foodgrain Production*, for \$80,000, approved on 30 August 1967.



10. During 1967-1995, the Bank approved a total of 122 AOTAs to Indonesia, for a total amount of \$49.6 million (see Appendix 1). Two of these TAs were canceled shortly after approval and no funds were disbursed.¹ A third, using a Dutch contribution, was changed into an International Fund for Agricultural Development (IFAD) loan three months after commencement when the Dutch aid program was suspended in 1992.² At the end of 1995, a total of 13 AOTAs were ongoing at various stages of implementation.³

11. AOTAs to Indonesia have covered a wide range of sectors (see Appendix 2), and 32 executing agencies (see Appendix 3). Agriculture (43 percent) had the largest number of TAs, followed by social infrastructure (15 percent), energy (11 percent), and finance (10 percent). The agency with the most AOTAs was the Ministry of Public Works (MPW) with 21 percent, followed by the Ministry of Agriculture (MOA) with 13 percent.

Illustration 2: Percentage of Number of AOTAs by Sector and Recipient Agency



Sample size: 122

In financial terms, MPW received \$10.4 million, MOA \$8.4 million, the Ministry of Finance (MOF) (\$3.4 million), and National Development Planning Agency or *Badan Perencanaan Pembangunan Nasional* (BAPPENAS) (\$3.2 million). The Ministry of Mines and Energy (MME) with \$3.3 million and the National Electricity Corporation (NEC) or *Perusahaan Umum Listrik* (PLN) with \$1.9 million were also important recipients.

¹ TA No. 474-INO: *Second Agricultural Credit*, \$430,000, approved on 29 July 1982 and TA No. 1334-INO: *Introduction of Private Sector Participation in the PT Garuda Indonesia*, for \$595,000, approved on 10 July 1990.

² TA No. 1554-INO: *East Java Rainfed Agriculture*, for \$3.45 million, approved on 13 August 1991.

³ TA Nos. 2171, 2206, 2221, 2227, 2277, 2312, 2344, 2429, 2430, 2464, 2491, 2501, and 2508.

2. Duration and Financial Limits

12. The length of time devoted to the effort, and the resources provided to achieve the designated objectives can be key determinants in the strengthening of institutional capacity. Some 70 percent of AOTAs lasted for a year or less, and 8 percent lasted for more than two years. None lasted for five years.

Table 1: AOTA Duration

Months	Number	%
1 - 6	41	35
7 -12	42	36
13-18	16	13
19-24	9	8
25-30	6	5
Over 30	4	3

Table 2 shows that the number of large-sized AOTAs has increased in recent years.

Table 2: AOTAs Classified by Size of Amounts Approved

Amounts Approved (\$)	1967-95		1990-95	
	Number	%	Number	%
0-99,999	22	18.0	5	7.2
100,000-199,999	13	10.7	8	11.6
200,000-299,999	11	9.0	4	5.8
300,000-399,999	17	13.9	6	8.7
400,000-499,999	16	13.1	10	14.5
500,000-599,999	15	12.3	10	14.5
600,000	21	17.2	10	27.5
Above 600,000	7	5.8	7	10.2

3. Key Objectives

13. Appendix 2 shows classification of AOTAs by objectives. The objectives of AOTAs, categorized into six groups of major frequencies, are listed below. Most AOTAs pursued more than one objective.

Table 3: Number of AOTAs by Major Objectives

Objectives	Number
Addressing sectoral issues	66
Addressing institutional issues	60
Improvement of systems and procedures	56
Strengthening of staff capabilities	56
Organizational restructuring	8
Improving intra- and inter-organizational linkages	8

C. Study Objectives and Methodology

1. Study Objectives

14. This Special Study has three principal objectives:

- (i) to examine the quality of Bank AOTAs to Indonesia and their effectiveness in contributing to strengthening of institutional capabilities in the country;
- (ii) to identify the major factors that contributed to the effectiveness of the AOTAs, and make recommendations to contribute to the Bank's continuous upgrading of its own practices and procedures and to provide a basis for discussion with Government to enhance the quality of AOTAs in Indonesia; and
- (iii) to distill lessons from experience that may have more general application to Bank-wide operations.

2. Study Methodology

15. Eleven AOTAs were implemented before 1980 and there was little corporate memory of their impact. With the omission of these¹ and the 13 still under implementation, the Special Study tried to evaluate the remaining 96 of the total 120 AOTAs implemented. The methodology followed was one which has been tested in two earlier evaluations in Western Samoa and Vanuatu. It consisted of (i) a desk analysis of all files and documents held at Bank headquarters; (ii) the enumeration of a questionnaire (see Appendix 4), as well as the enumeration of a number of open-ended questions with the agency staff most closely related with TA

¹ The omission of these AOTAs would have little impact on the overall findings.

implementation;¹ (iii) listing and sorting of answers to identify the kinds of problems that agency officials considered most frequent and notable in the implementation of AOTAs, leading to an indicative identification of key findings; (iv) the conduct of structured interviews of agency officials at relatively senior levels by the Special Study Mission (SSM) to confirm these findings and to establish the degree to which an AOTA had met its objectives and delivered sustainable products; (v) intensive and independent analysis of the data collected to finalize the Study's findings, identify key issues, and make recommendations; these were followed by meetings with groups of senior officials in the most important agencies to seek their reaction to SSM's findings; and (vi) wherever possible, corroboration of the SSM's evaluation with other evaluations² and with staff in the Bank. The findings of the Study thus reflect user perceptions, but are not limited by them. Copies of the draft Study Report were provided to the Borrower, the key recipient agencies, and Bank staff concerned for their review and comments. Comments received were taken into account in finalizing the Report.

16. The Bank has adopted three broad performance categories for completed TAs: generally successful, partly successful, and unsuccessful. Where the major objectives of an AOTA are substantially achieved, and on a cost-effective basis, it is rated generally successful. Where some of the major objectives have been achieved, it is rated partly successful. Where most of the major objectives have not been substantially achieved or the TA is not considered cost-effective, it is rated unsuccessful. These categories have been used throughout the Report to describe the level of success of the AOTAs on an overall basis as well as for their various components, attributes, and processes. The numbers 1, 2, and 3 have been used to denote these three categories, respectively. Each component, attribute, or process is evaluated independently, although there are linkages. While the overall effectiveness of each AOTA assimilates the success of its components, attributes, and processes, it is not a mechanical average of these.

17. Where AOTAs had the sole purpose of producing plans and/or policy formulations, without any requirement to contribute to an enhanced capacity on the part of the agency to perform the same tasks without further assistance in the future, they were evaluated on the quality of their technical products and the degree to which their products were adopted by the agency concerned. In most cases, however, and particularly in AOTAs implemented during the last decade, the objective was twofold: delivering a technical process, as well as enhancing the recipient agency's capacity to use it without outside assistance. In these cases, the study evaluates both the quality of the technical contribution and the sustainability of the institutional strengthening initiatives.

18. The evaluation of the performance of the AOTAs was limited by a number of factors. These include the following:

¹ The Study was able to review a total of 61 (64 percent) out of 96 AOTAs on the basis of questionnaires and formal interviews. Staff to respond to questionnaires were not available for the other 35 completed AOTAs. Discussions were also held for the design part of the 13 ongoing AOTAs, so that the sample in user perceptions can be as large as 74. For this reason, the sample size in the analyses varies. Appendix 4, Tables 1-3 show the distribution of the AOTAs by questionnaires and study evaluations, by sector, recipient agency, and type of activity. The coverage is sufficiently large to develop with confidence findings that are likely to have general applicability.

² These included the ones undertaken by the Post-Evaluation Office, and an SPO-commissioned study of AOTAs in PLN (NEC). No information on the matter could be obtained from other international agencies.

- (i) The precision of the objectives established for an AOTA. Often, objectives were very broad indeed (e.g., “strengthen the institutional capability of Ministry of Forestry through planning, system formulation for sustained production development, manpower training, and implementation of an effective reforestation program”). This evaluation took the objectives as given regardless of how realistic they were. Where an objective or activity was not addressed, that part of a TA was simply assessed as unsuccessful.¹
- (ii) The multiple objectives of most AOTAs. None of the AOTAs provided an individual weighting for each objective, and some did not even prioritize them. Nor were measures of effectiveness clearly established as part of the objectives. In the absence of comprehensive diagnostic studies of the agency in which an AOTA was to be implemented, and the virtual absence of base line data or a description of the condition an agency was to be in by the end of an AOTA in terms of capacity and competencies, measurement of subsequent change presented difficulties.
- (iii) The absence of objectively verifiable TA indicators. TA objectives rarely identified what changes a TA was to produce. Consequently, each evaluation had to be based on the best judgment of the output and the criteria of the degree of the resulting desirable change.²
- (iv) The considerable passage of time since the completion of many of the AOTAs evaluated.³
- (v) The size of Indonesia, the span of Government departments some of which are very large, and the mobility of civil servants. In many cases, it was very difficult to find officials who had intimate knowledge of an AOTA and were still working in the agency concerned or elsewhere in Jakarta.

¹ There was one exception to this. For those TAs that had an objective to prepare sectoral plans or special study for an agency and clearly had no intention to seek to transfer such preparation skills to the agency, the TA was not evaluated for its long-term institutional strengthening effectiveness, regardless of whether such an intention was designated in the objectives.

² For this reason, the Study does not lay a claim to finality of judgement or incontrovertibility of its findings in respect of individual AOTAs.

³ The reverse is also true in that the measurement of long-term effectiveness in some recent AOTAs was precluded. In such cases, a measurement of short-term effectiveness was made. There is one notable example (TA 1874) in which a model of a management accounting system was developed for the MPW which was tested and found to work effectively. Without a next stage, the model has no practical application in the context of improving MPW accounting procedures. As of 31 December 1995, the impact of the AOTA was that it had tested an apparently effective model of an accounting system but nothing has been implemented. Accordingly, it was rated as unsuccessful from a long-term institutional strengthening perspective (the objectives were to strengthen institutional capacity of MPW to efficiently control project costs and integrate planning, budgeting and control of project operations; to upgrade financial and management accounting systems and to strengthen MPW staff capabilities) and rated as partly successful from a technical perspective. At the time of SSM, plans to introduce a next stage were under serious consideration. SSM was advised by the Indonesia Resident Mission on 26 November 1996 that the next stage of the exercise was ongoing. This shows that the performance rating of individual AOTAs could undergo a change in some cases due to subsequent developments.

19. The Study has a broad coverage and touches on many sectors and agencies. This allows for an identification of cross-sectoral and intra-institutional issues. For strategic lessons to be learned individual details were considered to be less important than an identification of recurrent issues.

20. The results of the Study have confirmed the validity of the methodology. It was possible to classify the AOTA portfolio by type of activity, regardless of sector or recipient agency. It was confirmed that major issues can be identified through this approach. Similar issues were quite independently identified in a number of different agencies.

III. MAIN FINDINGS OF THE STUDY

A. AOTA Results and Impact

1. Overall Achievement of Objectives

21. Respondents to the questionnaire considered that 74 percent of TAs were satisfactory or better in an overall sense, i.e., combining technical and institutional strengthening considerations (see Appendix 5, Figure 1). However, this Study's evaluation divides AOTAs to Indonesia into two major categories for the purposes of analysis, depending on whether they provided (i) technical and policy advice through studies and reports; manuals and guidelines; systems designed or installed; and plans, strategies, policies, regulations, and legislation recommended, contracted out usually as a one-time activity; and (ii) resources to assist an organization to develop its capacity to perform, focusing on institutional strengthening and capacity building. These categories are not, however, mutually exclusive.

22. This Study has assessed 75 percent of AOTAs as being at least partly successful in terms of technical effectiveness¹ (see Appendix 5, Figure 2). The technical effectiveness of TAs in this sample compares favorably with other yardsticks.² In contrast, the Study rated 41 percent of the institutional strengthening TAs as partly successful or better,³ with 59 percent of TAs as

¹ The effectiveness of the direct, technical outputs of AOTAs (see para. 21) which can be seen physically or in print, as distinct from their effectiveness in terms of institutional strengthening.

² Such as a World Bank review of the effectiveness of its TAs in World Bank, Operations Evaluation Department, "Lessons and Practices", Number 7, May 1996 (see Appendix 5, Table 1).

³ The overall institutional strengthening result was achieved only after a re-definition of original objectives in the cases of sectoral reviews and other special studies. In many of these cases, objectives were formulated in terms of "strengthening the capacity of..", even though their basic intent was to provide a one-off service that had little or nothing to do with institutional strengthening. A case in point is TA 1330-INO: *Study of Electricity Tariff Adjustment Mechanism* which was designed to "address the need to strengthen PLN's institutional capability to develop a mechanism for automatic and periodic electricity tariff adjustments". The real intention was merely to propose a tariff adjustment formula, not the strengthening of the institution and all that this might imply. Had the objectives of these special studies and sectoral reviews been accepted at their face value, and the final evaluation been done accordingly, there would have been an unsuccessful rate of the order of 70 percent.

unsuccessful, as illustrated in Appendix 5, Figure 2. These figures bear testimony to the fact that the Bank has been more effective in designing TAs that deliver technical outputs than in designing TAs that help institutions acquire or strengthen capabilities to replicate technical outputs. The achievement of institutional change is substantially more complicated than the provision of technical expertise. It requires many more attributes than simple technical skills. It is also more time consuming, because it does not simply require some demonstration of technical expertise but the transmission of systems, processes, and capacities to produce an operational environment in which the technical expertise can flourish after the end of the external inputs.

a. Performance by Executing Agencies

23. By executing agency, AOTAs had partial success in the middling range. Ratings for technical quality were generally even among agencies within a narrow band (see Appendix 5, Table 2). Differences in rating with respect to institutional strengthening were more pronounced,¹ indicating a range from levels of partial success in the Ministry of Home Affairs (MOH) and PLN to little success in MOF.

b. Performance by Sector

24. Results by sector reveals the relatively satisfactory nature of technical output in all sectors, with the possible exception of the energy sector where some serious problems were experienced (see Appendix 5, Table 3). Institutional effectiveness, on the other hand, has been generally unsatisfactory, although in certain cases the rating was based on limited case studies (only one in the case of the finance sector).

c. Performance by Activity

25. The ratings by major activity show that, on average, activities were partly successful in the context of technical effectiveness (see Appendix 5, Table 4). The exception, however, was in monitoring and evaluation systems, where there were difficulties in adapting complex and at times highly sophisticated systems to the realities of context and staff competence. Institutional strengthening was generally weak across all activities, with support to statistical information services achieving the best results mainly because of a successful project with the Central Bureau of Statistics (CBS).

d. Performance by Program Focus

26. Program focus refers to the orientation of the AOTAs to thematic programs of the Bank which could be economy-wide or sector-wide. In this Study, AOTAs to Indonesia were classified by program focus as follows: (i) policy reform; (ii) development/sectoral planning; (iii) organizational development; (iv) environmental management; and (v) private sector development. AOTAs have been partly successful in development/sectoral planning and organizational development, and unsuccessful in other areas. Appendix 5, Table 5 shows the effectiveness of AOTAs by program focus.

¹ Caution needs to be exercised in the interpretation of these results because of the wide variety in kinds of AOTAs across Government. For example, the apparent weak performance of MPW is much more a function of over ambitious design and poor consultants than a reflection of its capacity to implement effective change programs.

e. Performance by Development Management Capacity

27. Mechanisms to bolster a country's development management capacity¹ are classified into (i) strengthening policy formulation, legal framework development and enforcement; (ii) enhancing public sector efficiencies and effectiveness in the management and delivery of essential infrastructure and services; (iii) improving the mobilization, management, allocation, and utilization of public finances (including investment planning capacities); and (iv) promoting government capacity to work productively with private, voluntary, and community institutions in the development process, as well as the capacity of private, voluntary, and user-group organizations. Using these categories, the AOTAs in Indonesia were assessed in terms of their contribution to building development management capacity and the results are shown in Appendix 5, Table 6. Relatively greater success was achieved in strengthening policy formulation, and legal framework development and enforcement. The poorest results were in the mobilization, allocation, and management of finances and investment planning capacities. The other two categories fell in between.

f. Performance of Accompanying and Stand-Alone AOTAs

28. Among AOTAs of a technical nature, 89 percent accompanying TAs were partly successful or better, whereas 70 percent stand-alone TAs were partly successful or better. In the institutional strengthening category of TAs 62 percent accompanying TAs were partly successful, whereas 32 percent of the stand-alone TAs were partly successful or better (see Appendix 5, Table 7).

2. Main Factors Contributing to Success or Failure

29. Success in capacity building and institutional strengthening is often difficult to achieve. Nevertheless, an unsuccessful rate of 59 percent in the institutional strengthening field necessitates identifying areas for improving performance. The determining factor for the technical quality of a TA is the consultant. Factors influencing the success of institutional strengthening are more difficult to define. Institutional strengthening is concerned with changes to organizational and human behavior, which are complex phenomena difficult to change. For successful achievement of organizational change, the factors outlined below need to be paid careful attention.

- (i) a diagnostic study that clearly defines a problem and thoroughly investigates its causes;
- (ii) a driving need for the TA, with commitment at the highest levels of an agency;
- (iii) ownership and close collaboration at the highest levels to develop agreed objectives, design, and scope of TA;

¹ Adapted from the *Initial Staff Guidelines on the Bank's Capacity Building Services to DMCs*.

- (iv) a focused work program which is based on realistic objectives and deliverable outputs;
- (v) an allocation of resources carefully geared to the needs of the objectives and the process;
- (vi) a realistic time horizon that reflects the absorptive capacity of the agency and recognizes the complexities and time requirements involved in institutional strengthening;
- (vii) a well-designed program of process improvement which must include the transmission of skills to agency personnel to operate the process (such transmission of skills often requires the training of trainers to ensure continuity);
- (viii) the establishment of achievable measures of progress and various milestones to determine the effectiveness of progress;
- (ix) a management actively involved in directing and leading the process;
- (x) effective monitoring and supervision of TA implementation and progress; and
- (xi) mechanisms to ensure that improvements are maintained upon termination of the TA.

Where TAs were not successful, the inadequacy of the preconditions for success listed at (iv) and (x) above was very frequent in the AOTAs in this sample. The requirements listed at (i), (v), (vi), (vii), and (ix) were frequently inadequate. The factors at (ii) and (iii) were occasionally inadequate (see Appendix 5, Table 8).

30. The significant differences between the achievements of accompanying TAs and stand-alone TAs offer some interesting pointers to the factors leading to AOTA success. Accompanying AOTAs are usually more focused, as they are part of a project's strategy. They have fewer problems of access to and attention from senior agency management, who have high ownership of and stake in projects these AOTAs are accompanying. Such projects are financed from borrowed money and are often large. As accompanying TAs can contribute to the success of the much larger investments, they tend to be beneficiaries of greater attention from the Bank including quicker responses to problems. Since Bank supervision of projects is more regular and intensive than that of AOTAs, Bank review and supervision of accompanying TAs is also more intensive.

B. AOTA Preparation and Design

1. AOTA Identification within a Coherent Program of Capacity Building

31. A focused and coherent strategy on capacity building in Indonesia is still to be evolved in the Bank. The TAs examined in this Report are predominantly concerned with institutional strengthening in the public sector. A total of 120 AOTAs were implemented in 32 different recipient agencies. Such a wide distribution suggests that TAs are not yet carefully planned to support a coherent capacity building program in key sectors in Indonesia or targeted at key agencies that can play critical roles in implementing the Bank's program in Indonesia. Even in agencies which received a number of AOTAs, there was no indication in the objectives of AOTAs of a focused, coherent program of institution building. The recent SPO study of TAs in the electrical power sector of Indonesia has found that (i) TA requests emerge ad hoc from Government and the Bank; (ii) there is no medium-term planning or programming framework for TA sector-wide, drawn up with consultation among all potential recipients; and (iii) selected TAs were not always of particularly high priority or likely to have much effect on sector policy or development.

32. Excluding the six executing agencies with the largest number of TAs in this sample, there were 45 AOTAs distributed across 26 agencies. In a country such as Indonesia, with operating departments having large numbers of staff, and many AOTAs having expenditures of about \$600,000, an average of two AOTAs per agency per quarter of a century is not likely to contribute to a program producing marked capacity building outcomes. Given the size of the AOTA budget for Indonesia, there might be little strategic use for such a spread except for PITAs and for TAs for the delivery of occasional technical services such as the development of policies or plans.

33. There does appear to be a discernible cross-sectoral strategy in one area, which was to implement environmental impact analysis (EIA) or AMDAL systems in a number of different agencies.¹ But in the agencies in which these TAs were implemented, environmental matters were not regarded as core functions. The strategy question, then, is whether the matter concerned needs to be recognized by the client as being of core importance before the Bank undertakes TAs to develop capacity, or TAs should be provided hoping that they will induce such recognition, but taking into account the high likelihood of failure. There is a risk in taking the latter direction in that the change will prove irrelevant to the ongoing activities of an agency as it does not conform with its real work priorities. The non-core activity then attracts less able or marginal staff and becomes a backwater, producing low quality work and reinforcing the message of its irrelevancy (see Appendix 6, Illustration 1).

2. Locating a TA at the Appropriate Level of Government

34. In Indonesia, prospective AOTAs emerge from a bottom-up process in which directorates and subdirectorates within individual ministries and departments (directorates general) identify the TAs they require. These TAs are then filtered by the Bureau of Planning of

¹ TA Nos. 1013, 1281, 1451, 1452, and 1473. A consolidated approach and a common architecture to implementing EIA was, however, not developed across all the agencies. Different consultants were engaged for different agencies, resulting in some differences in the systems implemented in at least two of the agencies.

such ministries and departments and proposed to BAPPENAS. In the latter, there is another process of filtering and consolidation before they enter into a Blue Book kept by BAPPENAS. Potential donors might be approached by BAPPENAS to undertake a particular TA or, alternatively, donors consult the Blue Book and select TAs which they are interested in funding. TAs picked up by the Bank for funding enter the Bank's three-year rolling program. Donors assume that a TA included in the Blue Book has Government support. Experience, however, strongly suggests that Government commitment needs to be tested very carefully before a TA in the Blue Book is accepted for funding. Many of the TAs in this sample suffered because Government commitment was not forthcoming. The commitment was most notably lacking in TAs which were to address issues requiring interagency collaboration and those that required some kind of legislative support to change the conditions the TA was trying to improve.

35. The bottom-up approach to capacity building used in Indonesia is the opposite of what is usually regarded as more effective: the top-down process. Institutional strengthening requires attention to be paid to a whole set of phenomena that contribute to an effective organization and that can only be addressed comprehensively from the top. There is some dissonance between the top-down objective of capacity building in Indonesia and the bottom-up process by which opportunities for capacity building are identified. This presents a dilemma for the donors. They can either choose what is on offer that might have little to do with strategic capacity building, or they can wait until better opportunities arise. Alternatively, they can try to influence Government and, particularly BAPPENAS, to become more proactive in the choice of TAs and set capacity building as a major Government strategic objective.

36. Important to an understanding of weaknesses common to TAs with ambitious objectives (changing policies and regulations, introducing organizational change) is an understanding of the different levels of Government and the interrelationships among them. In Indonesia, policies and organizational change are introduced at the presidential level when they affect more than one agency, at the ministerial level when they affect an agency, and, for lower level policies and organizational change, at the secretariate-general or directorate-general level. When they affect the operations of a provincial government, such changes are introduced at the governor's level. Resourcing is managed by BAPPENAS and MOF. Jobs and their definitions are governed by *Menteri Pendayagunaan Aparatur Negara* (MENPAN) or the State Minister for State Apparatus Administration. Consequently, an assignment needs to have access to the appropriate agencies and the appropriate level of government if it is to have an opportunity for success.

37. The Bank does not appear to have a strategy regarding the level at which an AOTA should be located to be effective from a capacity building standpoint. The unsatisfactory outcome of an AOTA which was located at an inappropriate level is exemplified in Appendix 6, Illustration 2. The AOTAs in this sample suggest a strategy directed at the directorate and subdirector level of government. These are the levels at which the vast majority of AOTAs are implemented (in fact, the preponderance of TAs is at the lower of the two). This is not a level that is likely to influence greatly the way government is run in Indonesia (see Appendix 6, Illustration 3), secure policy approval or inter-agency cooperation, or ensure management training. It is a level vulnerable to changes of organization and personnel.

3. Design and Scope

38. Almost 14 percent of respondents considered the process of preparing the terms of reference (TOR) for TAs unsatisfactory. While such a percentage is small, the client's dissatisfaction at the outset of a TA would inhibit commitment to the TA, which is important to ensure its success.

39. Reasons for client dissatisfaction with the process included (i) the absence of any prior diagnostic study, resulting in unanticipated problems emerging during the implementation of a TA when it was often too late to address them; (ii) grant-financing of TAs diminished the recipient agency's influence in design and consultant selection and consequently discouraged its ownership of and commitment to the TAs; (iii) predetermined TA size with little flexibility (the starting point of the design process in some TAs was the \$600,000 ceiling which constrained the TAs in meeting the diagnosed problems); (iv) the design was too ambitious given the resources; (v) the levels appropriate and agencies critical to the effective implementation of the proposed AOTA were not addressed in preparing the TOR; and (vi) no process of institutional strengthening was developed prior to the TA and recipient agencies had little idea of the kind and extent of the commitment they would have to make for the TA to become effective and sustainable.

4. Absence of a Prior Diagnostic Survey

40. There are a number of direct and serious consequences of a TA design that is based on insufficient investigation and consultation with a recipient agency. These include (i) an unsatisfactory level of ownership and commitment on the part of an agency, (ii) the risk of developing a design that has little strategic purpose, (iii) designs which are known at the outset only to address part of a problem (see Appendix 6, Illustration 4); (iv) a failure to identify all the agencies which should be involved in a project if the objectives are to be achieved (see Appendix 6, Illustration 5); (v) insufficient time to perform a satisfactory analysis of the conditions which have given rise to the request (see in Appendix 6, Illustration 6), resulting in underdesigned projects and in constraints to change not being addressed; and (vi) inadequate time and resources for the implementation of AOTAs resulting in AOTAs producing partial solutions (see in Appendix 6, Illustration 7).

5. Absence of a Methodological Framework and of a Model

41. The Study's findings suggest that the Bank has yet to develop a coherent model or a satisfactory methodology to prepare designs for institutional strengthening TAs. There is no rigorous methodological framework to guide the development of an effective project design. This leads to the production of plans with unclear objectives, the absence of activities which are required to produce an objective, inadequate resources to deliver the objectives (exemplified in Appendix 6, Illustration 8), activities which do not contribute to the objectives, and, in the final analysis, weak TAs. It also makes decisions about the viability of TAs much more difficult for Bank management. For example, there is no tick list that can be referred to in order to ensure

that all questions important for the preparation of a potentially successful TA have been addressed effectively.

42. While lists of activities for each TA were produced, some of them common to many TAs, little attention was given to develop and process the activities within the ongoing operations of an agency. A great deal of attention was paid to the recommendations made by a report as an end in itself. Inadequate attention was paid to the introduction of the proposed change, a process that assimilates the preceding stages of the making and acceptance of recommendations. The result is that TAs do not produce sustainable change. They end before that process starts.

43. Where organizational change is involved, the methodological framework or institutional strengthening model should take the recipient agency into account. What is needed in the model is some clear vision on the part of senior agency management about the expected ends of a TA and how those ends are to be achieved by the agency itself. Vision and drive from the top is a central tenet of successful institutional strengthening. Senior management, therefore, needs to develop a program of organizational change management and designate how to implement it and who will be responsible for it. Additional expertise can then be provided by the TA for facilitating such organizational change. In the design of TAs, this is an area which was completely neglected.

44. Without the drive for change coming strongly from senior management of the recipient agency, the services of TA consultants would become peripheral. Rarely was a process developed in which a TA consultants team was integrated into that part of the agency in which it was to work. Conventionally, it was located separately from the work unit with which it was to work. Counterparts were assigned part time to the TA team. Frequently, their job was not to work closely with the team but to facilitate logistic arrangements and meetings. Agency management was infrequently available to the team leader. Meetings with management were often formal ones to discuss findings and recommendations and rarely to discuss implementation problems. Rather than serving as a resource to management, the TA team was often an isolated entity in the recipient agency. It was expected to work on its own to produce expert findings. A mutual process of problem identification, analysis and solution was not enjoined. Of the agencies with an opinion, 51 percent considered that the process developed for institutional strengthening was not satisfactory.

6. Artificial Budget Ceiling

45. Indonesia is a large country. Some of the departments in which institutional strengthening AOTAs have been implemented have staff in excess of 100,000. A \$600,000 TA provides about two person-years of consultancy assistance. Institutional strengthening tends to be a long-term process, particularly if it is to penetrate deep into an organization. In the huge government departments of Indonesia, \$600,000 TAs are unlikely to be able to strengthen agencies markedly.

46. A total of 13 AOTAs that were costed at \$600,000 were evaluated. In terms of institutional strengthening, six of them were rated partly successful,¹ while seven of them were rated unsuccessful.² All experienced financial and time constraints. In the case of the partly successful ones, some of the objectives were achieved; in others, and especially in those with objectives that required a longer involvement for success, they were not. For example, TA 1910: *Remote Sensing Applications for Natural Resource Management* succeeded in introducing a new remote sensing capability in the recipient agency. It failed, however, to apply the technology to other designated ministries (forestry, agriculture, and environment), which would have taken significantly more time than was allowed for.

47. In the case of the seven TAs rated unsuccessful, the main problem was the need for much longer term support. In most of these TAs, the technical contribution was satisfactory, but the time required to operationalize recommendations was underestimated. To circumvent the \$600,000 approval level constraint, it appears that certain TAs may have been designed in two phases? one upfront and a later follow-up. While this practice is not unusual, it is inadvisable in the case of institutional strengthening TAs because, to be effective, change management is best done in a continuous process rather than a discontinuous one.

C. Implementation Performance

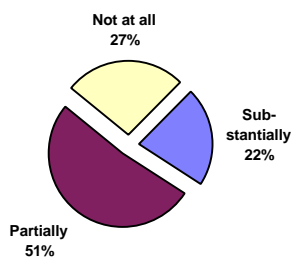
1. Commitment and Ownership

48. A yardstick for an effective TA is that recommendations are accepted by the client and are implemented. However good the analysis and however persuasive a written recommendation might be, if the client does not accept it, then that part of the assignment fails and the investment is wasted. Consequently, it is important that the consultant has ready access to the level of an agency or government which is able to implement any required changes for a TA to meet its objectives, and possesses the competence to carry the agency leaders along with the proposed changes. TAs in this sample were not positioned to do this effectively as only about 22 percent had their recommendations substantially acted upon, 51 percent had theirs partly acted upon, and 27 percent did not generate any action.

Illustration 5: The Degree to which Recommendations were Acted Upon

¹ TA Nos. 1281, 1449, 1471, 1713, 1910, and 2016.

² TA Nos. 937, 1459, 1782, 1874, 1994, 2038, and 2075.



49. The relative lack of success in implementing TAs' recommendations raises the crucial question for the design of any TA in the public sector of who the effective client is. TAs in this portfolio often did not address this question effectively. Frequently, the client should have been a minister or group of ministers as many recommendations required some kind of decree if they were to be implemented. In fact, many TAs had little potential for success as they were not positioned to manage the effective client in any way at all.

50. The need for close involvement with appropriate decision makers was not well addressed in design documents. If there is Government commitment to TA's objectives, and particularly those which seek to introduce reforms, and the attainment of these objectives requires some kind of decree or regulation being issued, then it seems reasonable to expect that the appropriate level of Government would take a direct interest in the TA. A Steering Committee could be set up headed by a minister or a senior official, or it could be ensured that the TA team had direct access to such official on a regular basis. In Indonesia, such a committee is sometimes supported by a *Tim Kerja* (Working Group) or *Tim Teknik* (Technical Team) which is assigned the task of developing recommendations and procedures required to implement some improvement. Very few TA teams worked alongside such Indonesian task forces. The ongoing TA 2508 for BAPPENAS in which a consultant has been placed to work alongside a number of such teams to develop a macroeconomic planning and management capacity in the agency is one of the few TAs in this sample which included a satisfactory mode of delivering a TA. In sum, availability of the appropriate level of an organization to a TA team to drive any change management program is a prerequisite for effectiveness and sustainability.

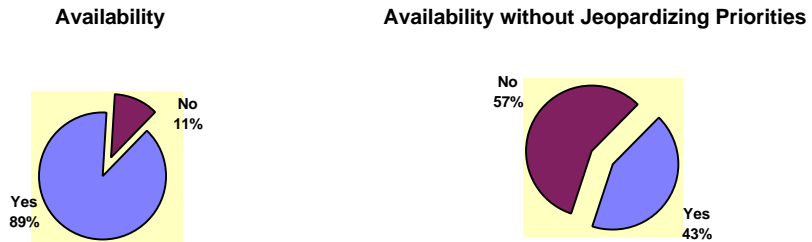
2. Planning for Change

51. In Government, capacity building and institutional strengthening are not necessarily priorities in an agency's activities. But it is convenient to have things done from outside resources for which no budgetary resources are available. This enables resources to be diverted to other priorities. To illustrate, TA 2227 provided consultants to determine load characteristics outside Java for PLN. Earlier on, TA 1546 did the same thing for PLN in Java. Load characteristics should be part of the core business of an agency such as PLN. And yet, the consultants for TA 2227 were apparently working virtually independently of PLN. There is little evidence to suggest a high level of commitment to developing a capacity in PLN to produce

load characteristics; PLN does not have a carefully designated plan of action to acquire that capability.

52. One indicator of how critical the objectives of an AOTA are to an agency is the allocation of agency staff to the TA. Usually, this occurs through counterparts. In this sample, the norm was for counterparts to be allocated to assist a TA team part time. Their major task remained their usual duties in the agency. The figure below shows that counterparts were generally available to TA teams, but in 57 percent of AOTAs that availability was compromised by the requirement for them to perform their other duties.

Illustration 6: Availability of Counterpart Staff



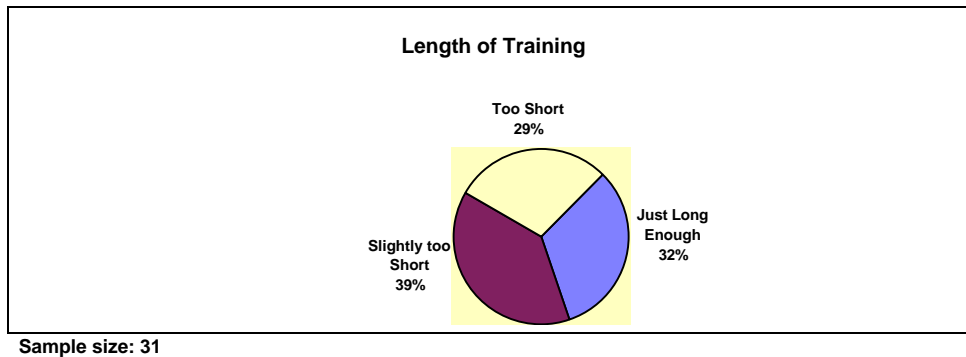
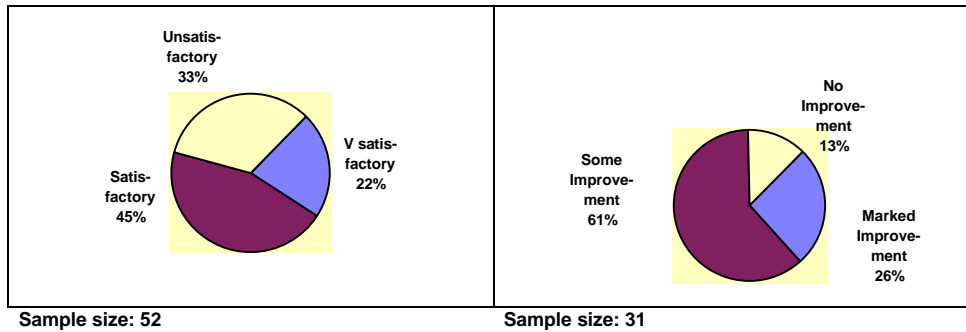
Sample size: 72

3. Effectiveness of Training

53. In this Study sample, it was not possible to evaluate the impact of training because no assessments were made of the competencies and capacities of staff at the outset of a TA, nor of the acquired competencies at the end. Nevertheless, Government respondents did not rate training effectiveness highly.

Illustration 7: Effectiveness of Skills Transfer

Approach to Training	Actual Outcome of Training



The responses from TA recipient agencies indicate that (i) in 33 percent of the AOTAs, the approach to training was deemed unsatisfactory; (ii) in 61 percent, the level of improvement was not marked and in 13 percent, no improvement at all took place; and (iii) in 68 percent, the training was not long enough, a result of inadequate TA scope.

a. Numbers and Composition of Trainees

54. In 33 percent of the AOTAs which delivered training, the number of people trained under each AOTA was ten or less. In Indonesia, with department staff often numbering in the hundreds of thousands, such small numbers are not likely to have any great impact on departmental performance unless those trained are from a training unit or are very senior management. The training of the former would make such training sustainable, that of the latter could disseminate improved technical or management practices throughout a department. In all cases, the personnel trained were the proposed practitioners of a new process except in one case where they were from a training unit. Training, consequently, was not designed into TAs as a process by which improvements could continue to be made after the conclusion of a TA. The training was more of a short-term duration, which was expedient to produce a capacity to perform a series of tasks introduced by a TA. Long-term planning for sustainability was the responsibility of the unit in which the TA was implemented. Often the units were at the sub-

director level, which had no capacity to continue the training for other people using the introduced process (e.g., in offices in the provinces) or for new recruits into the sub-directorate.

b. Training in and for Management

55. Another omission in AOTAs was the focus on training personnel in management competencies. It is one thing for a TA to improve a narrow range of technical competencies. It is quite another thing to manage the integration of such competencies into the process and work practices of an agency. The TOR required technical training in 53 percent of the sample. On no occasion was there a requirement to incorporate a new process for which personnel were to be trained technically into an effective management framework. Where and how the proposed new or improved processes would be fitted into the priorities of the agency was never asked. This was a task which was left to management, the very group that usually did not participate in any training and, consequently, did not acquire the new technical competencies. Such an omission could leave the management feeling technically inadequate and, consequently, being reluctant to introduce innovations they did not fully understand.

c. Training in a Human Resource Development Unit

56. Training specified in AOTAs was not integrated into ongoing training programs run by an agency. Almost all Government departments have their own considerable training capacity in DIKLATs or human resource development (HRD) units. They tend to be professionally run and competent. They train in Bahasa Indonesia, which is not always done in training courses run by expatriate consultants. They also generally welcome the opportunity to extend their courses by acquiring new training modules developed by other professionals. To produce more effective institutional strengthening which penetrated deeper into agencies and produced sustainability, training ought to have been directed at HRD units in order to resource them to provide this new kind of training. This would have created a capacity in HRD units to continue to impart the competencies to operate the new processes introduced by a TA team, and possibly to develop the competencies required to manage them.

57. If training is to be effective, it needs to interest the group being trained. Most professional trainers would expect to train participants in a conducive environment away from their office desks, and this would require a training room and syndicate rooms. The trainer should also be able to use training videos and other visual material to add interest and variety to the program and present handouts to the participants to reinforce the training provided. Where computers are involved, all trainees must get hands-on experience. Most of these requirements are already possessed by departmental HRD units. However, they usually do not have the budgets to provide the necessary travel allowances, refreshments, and handouts that are important to a professionally-run course in Indonesia. The normal TA does not provide a budget to encourage participants to attend the training courses either. Government provision of adequate budgetary support and other inducements for staff to attend the training courses should be agreed upon at the design stage.

d. Recognizing that Training Requires a Budget

58. Approximately 70 percent of TAs in this sample sought to transfer skills to agency staff though only 53 percent did so through a formal training process built into the design. TA budgets for training tended to be parsimonious in the extreme. None set aside an

amount for training. In 43 percent of TAs, incentives were provided to encourage participants to attend a training course. These were usually travel allowances and away from home allowances. The lack of funds could be a reason for such small numbers often being available for training in a TA.

4. The Consultants

59. Agencies, generally, were satisfied with the performance of consultants, with 74 percent indicating that they would be prepared to utilize their services again. A 26 percent reluctance rate to re-employ, however, is sufficiently high to cause concern. The Bank selects consultants for TAs; the recipient agency plays no part in this selection except in indicating its no objection to the consultants. The exclusion of the Government from an influential position in the selection process was a concern expressed by a number of respondents. For a consultant team, the Bank is the client. A number of agencies indicated that they had wanted the consultants to alter a report so that it could be used more effectively by the recipient agency but were ignored because the consultants needed to be directed by the Bank before they would alter what they were doing.

60. There were a number of practices of consultants which were not conducive to effective institution building. The most frequent one was for consultants to collect data in the field and then take them to a distant home office for analysis.¹

61. Where a TA team does not perform, the dilemma for the Bank is whether to cut its losses and terminate a contract, and employ a different team. If it continues with an unsatisfactory team, there is often little to rescue from the TA. Replacing consultants would be costly to the Bank. But if a consultant team is ineffective, the Bank must take drastic measures (see Appendix 6, Illustration 9).

62. Table 4 shows the recipient agency's view of consultant performance.

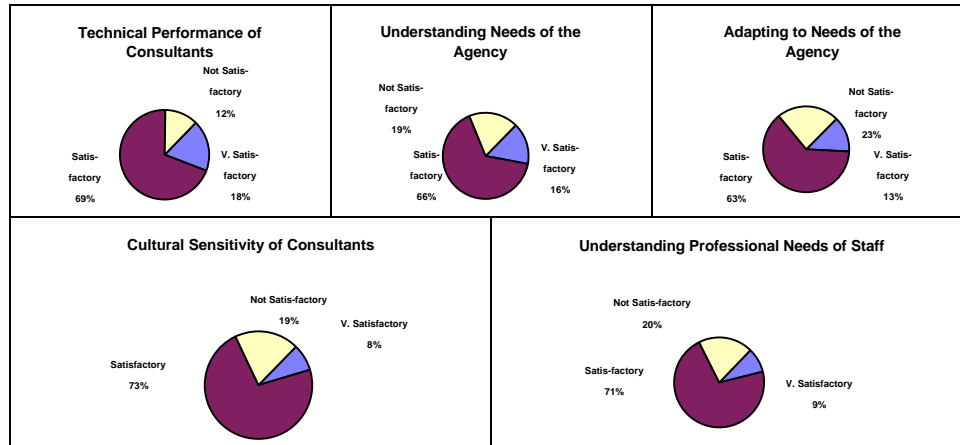
¹ Systematic statistics could not be collected about this issue. It occurred in a minimum of 10 percent of TAs.

Table 4: Clients' View of Consultant Performance ^a
(percent)

	Very Satisfactory	Satisfactory	Unsatisfactory
Technical Performance	18	69	12
Understanding Needs of Agency	16	66	19
Adopting to the Needs of the Agency	13	63	23
Cultural Sensitivity of Consultants	8	73	19
Understanding Professional Needs of Staff	9	71	20

Sample size: 68

Illustration 8: Client's View of Performance of Consultants



Sample size: 68

63. The reasons for lack of recipient agency satisfaction with consultants' performance included (i) consultants' lack of cultural sensitivity; (ii) consultants ignoring what the recipient agency wanted; (iii) consultants' unrealistically complex and unusable products, some of which were reproduced from reports produced elsewhere; and (iv) consultants spending much time working from their home offices.

64. From an Indonesian point of view, cultural compatibility of a consultant is an important factor in producing institutional impact on the agency. The Study reveals that consultants whose performance was rated by agencies as satisfactory could produce major changes in less than 50 percent of the cases.

65. In 86 percent of the sample, the consultants provided expert outputs for an agency instead of training and coaching the agency to produce those outputs themselves. Those TAs in which products were produced by the agency did significantly better than those in which the consultants did everything, as shown in Table 5.

**Table 5: Comparison of Results ^a
of Work Produced by Consultant and Produced by Agency**

Product Produced by	Sustainability (%)	Long-term Effectiveness (%)
Consultant	13	19
Agency	33	37

a At least partly effective.

The findings strongly suggest that the Bank needs to determine an ideal consultant team balance. Hitherto, the team leader and members have been chosen for their technical expertise, which is indispensable. Additional competencies, however, are also required for the development of a process whereby competencies are acquired by the agency so that by the end of the TA the agency could perform all the necessary tasks itself. At least some consultant team members need to possess the skills to develop that process. The team leader needs those skills to ensure that the TA remains in a facilitating mode and does not revert to a technical expert mode. The leader also needs client management skills in the Indonesian context to be able to keep the TA on course with agency management.

5. Communication

66. For the AOTAs in this sample, some reports were written in both English and Bahasa; in some others, in English with summaries in Bahasa. In most, however, reports were only prepared in English which reduced their utility and persuasiveness. Overworked managers prefer to read information in their native tongue. The requirement to prepare report in English assumes that everyone likely to have recourse to the report will be fluent in English. This assumption is optimistic in Indonesia.

67. In whatever language they are written, reports should be written clearly, simply, and be as free of jargon as possible. Some reports in this sample did not possess these attributes (see Appendix 6, Illustration 10). Such reports call into question the appropriateness of the consultant as well as Bank supervision for accepting such reports. Likewise, recommendations produced in reports were rarely incorporated into any ongoing action plan of the agency. Several contained unclear recommendations with little indication of what was needed to implement them. Sometimes they also included sweeping recommendations that were unlikely to be implemented in Indonesia and reflected adversely on the credibility of the consultants (see Appendix 6, Illustration 11).

6. Monitoring an Assignment

68. A major weakness in the design of AOTAs in the sample was that targets were rarely specified. Further, inception reports of consultants rarely identified critical milestones or key performance indicators which could serve as a basis for performance monitoring. Where sustainable change is the objective, milestones must be developed. Regular supervision should alert the Bank to significant problems a TA might be experiencing and enable it to act quickly to ensure that a TA team addresses the TA objectives effectively. One reason why accompanying TAs did better than stand-alone ones was more intensive supervision of the former (see paras. 28 and 30 and Appendix 5, paras. 17-18).

69. Recipient agencies generally rated the Bank performance highly.

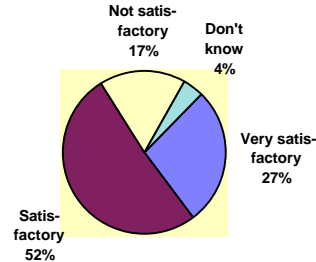
Illustration 9: Recipient Agency Perception of ADB Performance

Preparation and Supervision



Sample size: 73

Responsiveness and Flexibility



Sample size: 70

Satisfaction levels of the order of 80 percent are commendable. However, these ratings are at odds with this Study's assessment that supervision of the AOTAs was often lacking, especially of the stand-alone ones (see para. 86). Those agencies that did not rate the performance highly had reservations about Bank monitoring and supervision. The most frequently mentioned were the Bank (i) being constrained by rules which were not sympathetic to agency needs, (ii) refusing to take note of the recipient agency's concerns about consultants' performance, (iii) not discussing the final report with the recipient agency and then ensuring that changes were made to recognize the requirements of the recipient agency, (iv) not visiting the recipient agency often enough during the course of a TA, and (v) not ensuring that the appropriate person in a recipient agency actually received the final report.

IV. KEY ISSUES FOR THE FUTURE

70. There are a number of issues relating to the successful delivery of TAs and the sustainability of their benefits in Indonesia. These can be grouped into the four categories of identification, design, delivery mechanisms, and performance monitoring of AOTAs.

A. Identification of AOTAs

1. Lack of Ownership and commitment

71. Government agencies do not necessarily make a significant commitment to the outcomes of a TA just because they sponsor a TA or accept its report. Parts of agencies come up with ideas based on which selections of AOTAs are made. An annual sum of money is made available by the Bank for AOTAs. TA designs are developed with the agency concerned. Consultants implement as much of the TOR as they can. At no point in this process is the agency concerned asked to give any clear tangible commitment to the outcomes of the AOTA.¹ Agency staff do not conduct the process of change, nor is there a budget in the agency to make the change happen and to ensure its sustainability. There is a need for close involvement and commitment of senior agency management and, where ambitious AOTAs are proposed, of ministers. Rarely in the TAs evaluated in this Study was such commitment made. AOTAs tended to become organizationally isolated and remained responsible to the Bank.

72. Commitment requires a TA being incorporated into a resourced program of an agency with personnel from the agency engaged in the program. The TA should not be an isolated project and should have an agency as its principal client. The Bank's commitment would be a contribution to the budget allocated by Government to the program.

2. Lack of a Focused Institution Building Strategy

73. The Bank has distributed AOTAs over a multiplicity of agencies (32 in all) and activities. During 1990-1995, 69 AOTAs were approved for 24 different agencies. The country strategy for Indonesia has little institutional building program strategy. The Bank's country program for Indonesia is designated so broadly that, so long as a proposed AOTA relates to a priority sector, it is unlikely that there would be an inconsistency between its objectives and the country program. The country strategy does not provide any criteria with which to prioritize prospective AOTAs in terms of their contribution to strategic objectives. There is no focus on identified weaknesses in priority sectors that would enable development of coherent programs and evolution of strategies to address those weaknesses. For example: (i) a power development study for two regions in 1988 preceded a strategic planning study for the power sector in 1996 when, in terms of capacity building, the better sequence would be to start with the strategic planning study before moving into regional power development; (ii) there was a geothermal steam pricing study in 1992 despite the then opinion that geothermal power was costlier. In 1996 another geothermal power development study was started. It is running concurrently with the strategic planning study mentioned above which could conceivably find that there is no short-term strategic future for geothermal power. The absence of prioritization criteria of proposed AOTAs means that decisions can only be done on a subjective basis. Consequently, there is a significant probability that much of the Bank financing in AOTAs is targeted at AOTAs that make little impact on the long-term capacity building needs of priority sectors in Indonesia.

¹ The TA Agreement is signed by the Ministry of Finance.

3. Lack of Focus

74. The specific function that AOTAs are designed to fulfill is not evident from the Indonesia program. Broadly, there appeared to be three distinctive kinds of AOTA: (i) diagnostic studies of a sector (and sometimes of an agency) to identify future directions for capacity building; (ii) advisory studies focused on a specific problem (shrimp disease was one successful study) proposing solutions to that problem; and (iii) institutional strengthening studies with the purpose of improving a set of processes in a recipient agency.

75. That AOTAs have a distinctive contribution to make to the Bank's country strategy and not merely play a support role to the loan program needs to be recognized in practice. There may be an AOTA program quite distinct from the loan program which should fulfill certain functions that the loan program cannot.

4. Low Funding Levels

76. The Bank's available budget for AOTAs in a large country such as Indonesia is small. For the past four years, it has averaged at just below \$5 million.¹ Such a small amount is unlikely to make any significant contribution to strategies such as capacity building in the overall government sector in Indonesia. So long as AOTAs are not focused, the small amounts of money allocated to small TAs will achieve very little in terms of the ambitious objectives set for the program. Capacity building will continue to be a peripheral activity.

5. Absence of Record-keeping and Data Base

77. The Bank keeps no data base of experience in agencies, recommendations from TAs and their history of success,² and related information from other agencies. As a result, the Bank is unable to build on earlier successes and is unaware of intractable problems that certain agencies might face. The absence of such information detracts from the quality of AOTA prioritization and AOTA design. Neither is there a data base of AOTAs implemented or being implemented by other external aid agencies.

B. AOTA Design

¹ To put this figure in perspective, TA 1874: *Developing a Cost Accounting System for MPW* produced a computer model of a proposed system and estimated that to design it further and install it would cost another \$6 million.

² Almost 40 percent of TA final reports submitted to the Bank could not be found and be accessed by this Study. The percentage increased to 42 percent for the period since 1990.

1. The Need for Prior Diagnostic Analysis

78. The design of AOTAs is rarely based on a careful diagnostic analysis of a situation to determine the extent of any problems and the constraints in addressing them. In the absence of a diagnostic analysis of a situation requiring some kind of organizational change, AOTAs are designed with little appreciation of the extent of the problem areas to be addressed, the major causes of those problems, and the barriers to change that need to be overcome. As a consequence, problems are often only discovered after a consultancy team has been fielded. Many such problems can prove intractable and prevent the achievement of TA's objectives. The most intractable ones involve situations which require policy and/or organizational changes or require inputs from other agencies. The result is inevitably that a TA does not achieve its intended objectives.

2. Lack of Clearly Stated Objectives

79. Objectives in the capacity building area are often stated as vague generalizations partly because of the absence of any Bank methodology prescribing how objectives should be formulated. Objectives are not stated as specific, deliverable, measurable outcomes so that they can serve as the basis for a series of designated outputs and the input requirements to produce them. An objective which is a broad generality is not helpful to a recipient agency as it gives little indication of the expected condition of the agency at the end of the TA and, consequently, provides their management with little vision to drive the change. It also does not help determine the level of resources that need to be allocated to progress the change and sustain it after its implementation. As a result, AOTAs are infrequently incorporated into an ongoing change program in an agency and are never positioned effectively to contribute to significant institutional strengthening.

3. The Predetermined Funding Ceiling

80. About 30 percent of TAs were costed at the maximum amount that the President can approve under the authority delegated to him.¹ There were examples of TA activities being reduced to be in line with the resources available within this ceiling, but that severely compromised the stated objective. There were also examples where the proposed cost bore little relationship to what was being proposed, which inevitably left the course of action to the consultants rather than to the Bank and Government to ensure that the consultants' activities were consistent with the priorities of the agency and the Bank's own strategic objectives. As may be expected, underresourced TAs did not achieve all their objectives.

¹ It is difficult to believe that the Government is identifying large numbers of potential TAs that fall at that level of resourcing requirement.

4. Lack of a Change Management Process

81. Adequate attention is not given to the process by which an AOTA is most effectively implemented. Capacity building is most effectively done as a partnership between the Bank and the recipient agency. In any partnership there must first be agreement about ends and means. There is little discussion prior to awarding a contract about the process whereby an AOTA will be implemented. The agency provides counterparts on a part-time basis and the consultancy team provides expert inputs. What is needed is (i) a long-term horizon with a clear indication of the AOTA's contribution, (ii) the consultancy team working with an agency team to effect change and continuing as a resource to the agency until the agency can continue all necessary improvements on its own, (iii) an AOTA plan which is a function of the agency's action plan, and (iv) linking the process back to top management so that it can deliver the drive for the desired change.

5. Absence of Management Focus

82. Management was rarely targeted as the engine of change. Many new processes require new management skills. However, TAs rarely included the development of management as a part of the process of introducing change. For example, the creation of an MIS in an agency was not matched by training of the management in the effective use of the MIS.

C. AOTA Delivery Mechanisms

1. Non-participatory Consultant Selection Process

83. The process of selecting consultants is not one of partnership between the recipient agency and the Bank. The Bank selects a consultancy team to do a TA. In 26 percent of TAs the recipient agency would not re-employ the consultants. Some concerns reflected on the unwillingness of consultants to adapt to working in the Indonesian environment and to their cross-cultural insensitivity, and some to their unwillingness to spend the entire time of their contract in Indonesia.

2. Lack of Expertise in Organizational Change

84. Consultants tend to produce expert reports that give solutions to be implemented. Capacity building and institutional strengthening are directed at implementing change. Producing an outline of a solution is reasonably simple, but making it work in an organizational context is often difficult because it requires overcoming barriers. TAs address the easy part of institutional change leaving a completion report as the only guide to an agency to achieve the objective set for a TA. Without expert assistance about organizational change, institutional strengthening objectives are not achieved because they become too difficult for management to grapple with while having to carry out all their other responsibilities as well.

3. Nonsustainable Training

85. Training was rarely delivered to an agency's training directorate. Training programs often lacked strategic direction and courses were held for small numbers of staff in the directorate or subdirectorate involved in an AOTA. Rarely was the training conducted by a professional trainer, nor did the training seek to resource a training unit to meet the continuing training requirements of the agency for sustaining AOTA benefits. As a result, the effectiveness of training often lasted only as long as the personnel trained remained in that part of an agency in which an AOTA was conducted.

D. Monitoring Performance

86. The extent of Bank supervision of AOTAs was not always clear from the available Bank records. In a number of instances, files appeared to be incomplete and back-to-office reports were not available. As a general rule, however, the 37 percent of AOTAs accompanying loans were reviewed more frequently than the 45 percent of stand-alone AOTAs. There was little supervision of the 18 percent small-scale AOTAs.

1. Absence of an Appropriate Feedback Mechanism

87. Formal feedback mechanisms are not always established with the recipient agency. Although agency perception of Bank supervision was good, there were several respondents who were unable to recall visits of Bank staff to monitor progress.¹ Where there was a breakdown between consultants and agency, there was dissatisfaction with the responsiveness of the Bank to resolving these problems. In such situations, the consultants were often marginalized by the agency.

2. Lack of Monitorable Indicators

88. There is a lack of measures or performance indicators to monitor the progress of a TA. In the absence of such measures, the Bank has little basis for reviewing progress with the recipient agency. Such reviews would be particularly important if a change management model was being used because such a model requires a close working relationship and partnership between the three stakeholders in the process, namely, the Government, the Bank and the implementing team.

3. Lack of Post-completion Follow up

89. The Bank has no formal mechanism for pursuing, after TA completion, the effective attainment of the outcomes based on AOTA outputs. The end of a TA is signaled by a completion report produced by the consultancy team. After TA completion, the Bank also prepares a TA Completion Report (TCR). Agencies expressed the need for access to Bank personnel beyond the end of TA tripartite meetings that in many cases did take place. A mechanism is needed for the Government and the Bank to work together to encourage the effective implementation of recommendations after TA completion. This Study did not find a case where the Bank had played an active role in encouraging the continuation of the process of change after TA completion. Further Bank assistance on a small scale and on a selective basis to support such an implementation program and to continue the partnership between the Bank and agency beyond TA completion could be a worthwhile initiative.

¹ The TOR of the Resident Mission include AOTA administration (and consequently monitoring) responsibilities only for specified AOTAs.

V. RECOMMENDATIONS

90. The 120 AOTAs implemented in Indonesia during the period 1967-1995 were designed to contribute to the implementation of the Bank's overall operational strategy for Indonesia. The Study has found that the AOTAs have been reasonably effective in providing satisfactory technical inputs but have been less so in producing a significant degree of long-term institutional change.¹ The following recommendations seek to address the key issues identified earlier.

¹ It must be kept in mind that assessment of the contribution of AOTAs without the benefit of the evaluation of the principal instrument, the loan program, has somewhat limited validity.

1. Commitment and Ownership of Agencies

91. A number of Government agencies (both central and operational) indicated they would welcome the opportunity to discuss how a partnership and a joint approach to capacity building might be developed between the Government and the Bank. These agencies considered the time was right to change the conventional approach to delivering institutional strengthening TAs to one which was based more on a continuous improvement approach. A dialogue needs to be conducted with MOF, BAPPENAS, and other lead agencies operating in strategic sectors of the Bank's country program to:

- (i) jointly identify areas in strategic sectors that would benefit from capacity building assistance;
- (ii) jointly develop a process whereby specific AOTAs would be identified for support;
- (iii) agree on preconditions that would demonstrate commitment on the part of agencies seeking such assistance. Such preconditions might be a change management plan on the part of an agency clearly describing the changed condition to be sought; commitment of staff resources to the plan; delegation of responsibility for achieving the change as a priority requirement of a designated senior manager; an identification of the areas in which the teams would require outside expert assistance and the kind of assistance required; and a clear time frame in which the change would be implemented. A small-scale TA (SSTA) could be developed to assist one or two agencies to prepare for such assistance and act as a demonstration model for future proposals; and
- (iv) agree on the approach that the consultants would be required to take. The approach recommended is that the consultants act as a resource to the agency's work-based teams, train these teams in any competencies they need to develop to implement the changes and subsequently manage the changed processes and, where those processes are to be used by other operational parts of the agencies, develop training modules with the agency's own HRD unit.

92. The operational strategy for Indonesia should identify (i) sectoral weaknesses that need to be addressed capacity-wise, (ii) the broad areas in which capacity building and institutional strengthening AOTAs would be encouraged, and (iii) the kind of conditions they should address. Priority areas should then be developed in partnership with the Government.

93. The Bank should also identify central agencies that are likely to be able to drive major capacity building programs in the Government and direct attention to developing TAs in these agencies. Attention needs to be given by the Bank to MENPAN, the Office of the State Minister for State Apparatus Administration, which has the potential to become an important change agent in the capacity building program in Indonesia.

3. AOTA Focus and Funding Level

94. The Bank needs to reconsider the strategic objectives of its AOTA program taking into account the funding levels and the size of Indonesia. Funds must be very carefully targeted if they are to have any impact. The part that AOTAs should play ought to be clearly delimited. The conditions that make an AOTA more appropriate should be identified. The Bank should refine further the definition of AOTAs to distinguish between those that (i) deliver a particular product such as sectoral planning studies, or resolve a problem; and (ii) strengthen agencies organizationally.

95. The duration of AOTAs must be extended. Further, the Bank should only fund TAs at the level required to produce the desired change condition.¹ A cluster or a series of TAs could be provided for capacity building to an agency or to address a specific problem over a long period for comprehensive and sustainable results. Further, if there is a constraint of resources for TAs, capacity building should be undertaken through loan projects.²

4. Data Base on AOTAs

96. The Bank should develop a data base of AOTAs it has designed and implemented to store information which could be used to improve future AOTA designs. The history of recommendations and information about reasons why some recommendations were not implemented would be very useful for future AOTAs, especially in the same agency or sector. The data base should be expanded to cover information on the experience of TAs financed by other aid agencies.

5. AOTA Design

97. The Bank needs to review the AOTA design process and develop a methodology to guide staff in the requirements of effective project design in the institutional strengthening and capacity building fields. The methodology should also be used to identify the key success criteria of a satisfactory institutional strengthening program, and to ensure that bids by consultants are such that they will produce sustainable change by the conclusion of an AOTA. The methodology should require staff to:

- (i) demonstrate clearly how a proposed AOTA is high priority within the Bank's strategic objectives;
- (ii) demonstrate that the effective client has been identified;
- (iii) perform a diagnostic analysis of the part of the agency seeking the TA to assess the capacity of the agency to make the desired changes and identify all major problems or weaknesses to be addressed and the barriers to their effective change;

¹ Any proposal which seeks funds at or near the President's approval ceiling must, in particular, be investigated thoroughly to ensure that the TA has been adequately resourced.

² A loan project on *Capacity Building for Urban Infrastructure Management* is included in the 1997 program for Indonesia.

- (iv) in a memorandum of understanding describe the steps that have been taken jointly with the recipient agency concerned, and with the supervising agency where necessary, to develop the TOR and a recipient agency resourced action plan to implement the proposed AOTA;
- (v) ensure that there are no incapacitating weaknesses which would prevent the AOTA from achieving its objectives, and that all constraints to the effective implementation of the TA are removed or minimized prior to the commencement of the TA;
- (vi) develop the TA design within a rigorous logical framework requiring that objectives, activities, outputs, and key success criteria are specified clearly within a time-frame and are related to input requirements, including especially expertise in organizational change as necessary;
- (vii) provide for resources and a time-frame to match the required inputs for the objectives and the process, and avoid undersourcing for procedural convenience;
- (viii) agree with the implementing agency about the overall approach to implementing the TA;
- (ix) demonstrate how the responsible agency management will be included in the change process to ensure that they understand the new processes and are able to manage them effectively;
- (x) pay special attention to the identification of training and skills transfer requirements, emphasizing the need to provide professional inputs to the ongoing training capacity of the agency to ensure sustainability of all new competencies gained as a result of the TA; and
- (xi) ensure that there is provision for the consultant team leader to continue to be available to the agency as a resource at declining levels of intensity after the main body of the change program has been completed so that any unforeseen teething troubles with the management and operation of any new systems and processes are addressed expeditiously. This will guard against the sustainability of changes being eroded.

6. Creation of a Capacity Building Unit

98. A focal point needs to be created in the Bank to advise, and help exercise quality control, on AOTA proposals Bankwide, as well as coordinate cross-sectoral or cross-country TAs. Among other things, such a unit could devise a handbook containing a checklist of issues to be covered by Bank staff undertaking institutional assessment, as well as guidelines on the incorporation of capacity development in Bank projects, and maintain a data base of TA projects which could be used to improve future TA designs.

7. Consultant Selection Process

99. The consultant selection process should be participatory with the recipient agency.¹ The choice of the consultant should be based on technical, management, and cross-cultural skills. It should include (i) extensive reference checks of effectiveness in previous assignments; (ii) indicated willingness on the part of the consultants to undertake cross-cultural reorientation, and for long-term assignments, acquire some language skills; and (iii) where training is expected of a consultant, some familiarity with the local language.

8. Twinning

100. Twinning of institutions refers to a partnership between two institutions that provides close institutional support from one to the other. Twinning is now recognized as a tool that produces positive results. The advantages of twinning in institutional strengthening should be given more consideration. Twinning relationships are difficult to arrange, mainly because they presuppose a mutuality of interests. But their advantages offset these. The long-term nature of such relationships would be consistent with the time requirements of institutional change. Commonality of interests, the scope for exchange visits, and evolving human contacts at various organizational levels are all key ingredients in accomplishing institutional change. A particular advantage is that institutional change is not suddenly terminated by the completion of narrowly defined mandates of consultants.

9. Reporting Requirements

101. The reporting requirements in all TAs must be revised to include simultaneous production of all appropriate reports, especially all training materials and plans for action, in the language of the recipient country.

10. Management, Monitoring, and Supervision

102. Each AOTA must have monitorable indicators developed, preferably at the design stage but no later than at TA inception stage. The Bank should (i) place greater demands of client management on the part of TA personnel; (ii) devote greater staff resources to supervision;² and (iii) make the supervision participatory with the recipient agency.

11. Post-completion Follow up

103. Post-implementation supervision has proven to be very useful elsewhere. The Bank should monitor the sustainability of TA benefits post-completion, especially the implementation of recommendations agreed to from the TA. This could be done on a selective basis, say once a year for a period of 2-3 years. If necessary, a separate TA could be provided for monitoring the post-completion progress of all the TAs in a large country, or a RETA for a group of small countries.

¹ There is, however, a body of opinion in the Bank that this will only delay matters.

² Projects Departments have pointed out that this may not be practicable given current staff resources. In recent years, TA operations have expanded manifold and operational activities have become more complex and demanding while staff resources have stagnated. It has not been possible to devote adequate staff resources to TA supervision. The answer may be in greater selectivity and larger sizes of TAs.

VI. RECENT DEVELOPMENTS IN THE BANK

104. The Bank's current operational strategy, coinciding with the REPELITA VI period (1994-1998),¹ recognizes the need for continued support for institutional strengthening. There is a clear awareness that weaknesses in the planning and management capacity of the Government have placed limits on economy-wide performance. The Bank's capacity building program in Indonesia has identified the following sectors as potential candidates for special focus: agriculture, water resources, health, education, urban development, and transport. In the social sectors, the problems that need to be addressed are (i) quality of services; and (ii) effective linkage between national, provincial, and local government agencies and the corresponding management and human resources needs. In urban development, capacity building measures need to be intensified to (i) support decentralization; (ii) improve planning, programming, and implementation, including cost recovery and provision of operation and maintenance at central, provincial, and local levels; and (iii) develop more flexible financing mechanisms. In the transport sector, additional assistance is expected to be provided to (i) strengthen program planning, environmental assessment, and development of service pricing monitoring mechanisms, (ii) improve institutional capacity to plan and implement resettlement programs for persons displaced by development projects, and (iii) develop an operational framework for private sector participation. In the energy sector, Bank assistance is likely to focus on further improvement of the efficiency of PLN.

105. The Bank now places the highest priority on public sector capacity building, particularly with respect to policy and investment programming and implementation. This strategy needs to be further refined and comprehensively and effectively operationalized.

106. The review of the Bank's technical operations by SPO under the guidance of the Interdepartmental Working Group on TA Operations in the last quarter of 1996 has resulted in a number of conclusions and recommendations that are consistent with those of this Study and have a bearing on the problems identified in this Study. It states that while the Bank's TA operations have been relatively successful in achieving their immediate technical objectives, the depth of their long-run influence on policy reform and capacity building is more doubtful and difficult to assess. A number of changes have been recommended in the review paper concerning the programming of TAs: in policies and procedures; guidelines and practices governing TA design and administration; and the process of providing feedback and evaluation on TAs. These include a sharper focus of TA operations on the long-term improvement of overall and sector performance in the Bank's DMCs; greater selectivity in the preparation of the TA pipeline; broader multi-year programming of economic and sector work including the strengthening of sector strategies at the country level; and the introduction of a new instrument, the TA cluster, which would encourage a longer term focus in TA projects. Recommendations have been made to increase ceilings for TA size and local cost financing, as well as to expand delegation authority for approval of TAs.

¹ The Government's current five-year plan (REPELITA VI), 1994-1998 emphasizes balanced regional development, human resource development, optimal utilization of non-renewable resources, and the sustainable management of renewable natural resources. The plan specifically mentions the need for improved public sector efficiency, and a significantly expanded role for the private sector. The Bank's operational strategy is fully consistent with REPELITA VI.

107. Increased coverage of TA postevaluations through preparation of a larger number of technical assistance performance audit reports and assignment of a success rating to accompanying TAs covered by project completion and postevaluation reports have been suggested in this review. It recommends that a shift in focus must take place in PCRs and PPARs from the assessment of the implementation of physical components to measuring the impact of the integrated package of policy support, capacity building, and physical investments. The focus of postevaluation activities should also shift from evaluation of individual TAs and loans to sector-based analysis at the country level. It suggests that in order to guarantee staff commitment to this renewed approach, the incentive system for individuals and departments within the Bank will have to be reoriented, to reward efforts aimed at improved TA programming, design, and supervision.

108. Specifically, the SPO review proposes to (i) use the no-objection procedure for approval of TA projects submitted to the Board for TAs exceeding \$2 million; (ii) expand the delegation of approval authority to the President from \$600,000 to \$2 million; (iii) increase the ceiling for local cost financing from 15 percent to 25 percent; (iv) introduce the cluster concept of TAs; (v) develop criteria for screening TAs; (vi) encourage preparation of logical framework for all TAs; (vii) increase the amount of staff and travel resources devoted to TA implementation supervision; (viii) develop a simplified TA implementation monitoring system; (ix) provide the necessary training support for the implementation of the proposed approach; and (x) increase postevaluation coverage of TA operations through TPARs covering groups of TAs.