



## ABIP PHASE 2 - INVESTMENT DESIGN UPDATE

Investment Design Title:	Australia-World Bank Indonesia Partnership Phase 2
Start date:	January 2025
End date:	December 2029 (with optional five years extension to <b>December 2034</b> , exercisable by DFAT)
Total proposed DFAT funding:	AUD 30 million until December 2029, plus AUD 30 million (if DFAT exercises its option to extend from January 2030 to December 2034 – overall investment value <b>AUD 60 million</b> )
Current program fund annual allocation:	AUD 301 million
AidWorks investment number:	INO475
Risk:	Low
Value:	Medium
Concept approved by:	Not Applicable
Concept endorsed by DPC:	Not applicable
Quality Assurance completed:	DFAT Peer Review Meeting 21 November 2025 (World Bank internal peer review completed January 2025)
Approval: Delegate at Post:	Deputy Head of Mission, Jakarta Post
Delegate in Canberra:	First Assistant Secretary, Southeast Asia Maritime Division

### A. Executive Summary

The Australia-World Bank Indonesia Partnership Phase 2 (ABIP2) is a further phase of the successful partnership established from 2020-24. Since 2008, Australia funded the World Bank in Indonesia through a portfolio of separate World Bank thematic trust funds, until in 2019 both parties agreed to establish the Australia-World Bank Indonesia Partnership (ABIP). ABIP consolidated multiple single trust funds into one country-level trust fund aimed at tackling constraints to Indonesia's development, while also elevating the strategic nature of the partnership through country level leadership for stronger collaboration and alignment of Australian, Indonesian and World Bank priorities. The core modalities of the partnership are analytical and policy advisory work, knowledge exchange, support to lending operations, and institutional strengthening.

A Mid Term Review (MTR) conducted in 2022 found that ABIP was meeting its objectives and remained an effective, efficient and flexible modality. It found that the Bank remains a relevant and highly valued partner in Indonesia, and ABIP is valued for providing strategic and flexible support to the Government of Indonesia (GOI). In February 2024, Development Performance and Advisory Branch endorsed a streamlined partner-led design update for ABIP2, based on this recent positive evaluation and that further improvements identified did not require major adjustments to the scope of the program. This design update (and accompanying World Bank Concept Note) presents the rationale for retaining the key features of the partnership that have contributed to the program's performance to date as well as refinements to current arrangements, including in response to Australia's *International Development Policy (2023)* and the new *Australia-Indonesia Development Partnership Plan 2024-28 (DPP)*.

ABIP2 will continue to harness World Bank expertise to support GOI's policy reforms and implementation through evidence-based analytics and technical support. The single donor Trust Fund will support Activities across four thematic areas: (i) accelerating **human capital** development (ii) improving **economic management** and prosperity

(iii) building more and better **infrastructure**; and (iv) promoting **sustainable development** for a liveable planet. The promotion of **gender equality** will continue to be supported as a cross-cutting theme, with a dedicated contribution to a gender specific Bank-managed Fund for analytic work, as well as gender analysis and mainstreaming integrated into the four priority themes. **Disability inclusion** is a policy priority with the introduction of disability and social inclusion consideration at the Activity level. **Climate change** is a policy priority and cross-cutting theme for ABIP2 and includes a new dedicated intermediate outcome on low carbon growth and climate resilience.

ABIP2 has two unchanged End of Program Outcomes (EPOs). Minor editorial adjustments to the wording were made with no impact on program implementation or program monitoring.

EPO1: Strengthen GOI's policy making process to be increasingly evidence-informed and inclusive across the four development pillars by 2029.

EPO2: Enhance GOI's policy implementation capability across the four development pillars by 2029.

The updated design for Phase 2 has four reframed Intermediate Outcomes (IOs), including a dedicated gender outcome and specific climate-related outcome.

ABIP2 will build off the mutually supportive partnership created under the first phase of the program which enabled the Bank to be nimble and responsive to demand from GOI, while also supporting early policy development and establishing an evidence-base for emerging issues. For DFAT, the partnership will continue to enable high level policy dialogue with the GOI on important policy reforms. ABIP2 will remain as a unique mechanism that offers an important comparative advantage, functioning as a complementary 'tool' in a toolkit of multiple aid modalities. With this relatively modest investment, ABIP2 will leverage the Bank's other policy-influencing tools –through its lending portfolio, convening power and access to an international network of expertise, and as an independent institution that enables enriched engagement on critical policy issues with GOI and broader stakeholders, including Australia.

The analytic, technical assistance and capacity building activities of ABIP2 will enable both the Bank and Australia to offer timely, critical and strategic advice to the GOI, at multiple levels, that support evidence-based policy making in a highly contested, and rapidly changing environment.

ABIP2 has a **budget allocation of \$60 million over 10 years** with an initial commitment of \$30 million over 5 years (January 2025-December 2029), and an optional 5-year extension valued at \$30 million (January 2030-December 2034). DFAT proposes baseline funding of \$6 million per year. Activity funding by theme is subject to Annual Workplan and activity selection processes internal to the World Bank and reviewed and approved by the Steering Committee.

The Bank rated the inherent risk rating as Moderate prior to any mitigation. DFAT also maintains a Risk Register and assesses the overall risk (post proposed treatment) as Low.

## **B. Development Context (What problem are we addressing?)**

ABIP Phase 1 began implementation during the COVID pandemic as Indonesia contended with the impacts on human development, services and the economy. The MTR conducted in 2022 found that the program was meeting its objectives and remained an effective, efficient and flexible modality. It found that the Bank remains a relevant and highly valued partner in Indonesia, and ABIP is valued for providing strategic and flexible support to the GOI. The consolidation of the Trust Funds under ABIP elevated the strategic nature of the Australia-World Bank partnership in Indonesia and fostered coordination and collaboration between the Bank and other DFAT investments in related sectors.

Results from ABIP Phase 1 demonstrate strong uptake of the Bank's advice with 24 instances of ABIP-supported analytics making a significant contribution to major policy reforms across all themes (as of end 2023).

ABIP2 will continue work within the partner system of the World Bank, funding analytical and policy advisory work, knowledge exchange, technical assistance for loan preparation, and capacity building and institutional strengthening. The Fund will support Activities across four thematic areas: (i) accelerating human capital development, focussing on education quality, promoting more and better jobs, and a strengthened social protection system; (ii) improving economic management and prosperity, focussing on evidence-based policy making, better government spending and improved revenue collection; (iii) building more and better infrastructure, focussing on connectivity, energy, local infrastructure, and infrastructure finance; and (iv) promoting sustainable development for a liveable planet, focussing on food and nutrition security, water security, and social sustainability and inclusion. ABIP Phase 1 had only the first three themes. The four themes align to the internal management structures and responsibility of the Bank which was refreshed and expanded in 2024. It does not represent any significant change in scope of the program. The promotion of gender equality will continue to be supported as a cross-cutting theme, with a dedicated contribution to a gender specific bank-managed Fund for analytic work, as well as gender analysis and mainstreaming integrated into the four priority themes. DFAT will continue to advocate for a broader Gender Equality, Disability and Social Inclusion (GEDSI) approach and its connection with climate and how this is influencing Indonesia's social and economic growth, which is a priority for the World Bank, Australia and the GOI.

A design update was commissioned from the Bank (utilising their own internal processes for preparation of a Concept Note). DFAT also commissioned a two-person design team to consult with the Bank during the course of the development of the Phase 2 design update, to provide advice and support for DFAT and the Bank with the intention to have a more explicit and deliberate localisation agenda to further entrench sustainability of outcomes, to increase the ambition on gender equality, disability and social inclusion, to include a more explicit consideration of climate change, and review of governance arrangements to ensure optimal senior level GOI engagement. Key lessons from ABIP Phase 1 were identified, and issues for consideration by the Bank and DFAT for Phase 2 were identified and explored.

### C. Strategic Intent and Rationale (Why?)

#### *Strategic and policy alignment*

The ABIP partnership directly supports the policy and strategic priorities of Australia, the Bank and the Government of Indonesia. Australia and the World Bank have aligned their priorities to those of the GOI National Long Term Development Plan 2025-2045 (RPJPN), which are also reflected in the priority areas for support under ABIP2.

Australia's *International Development Policy* (2023) has a focus on building effective, accountable states; enhancing state and community resilience; connecting with regional architecture; and generating collective action on global challenges. The approach for delivering Australian aid includes forging partnerships of respect, supporting locally led change and maximising collective impact, all features of the ABIP partnership. The *Australia-Indonesia Development Partnership Plan 2024-28* (DPP) acknowledges the significance of the elevation of the Australia-Indonesia relationship to a Comprehensive Strategic Partnership, setting an ambitious agenda for deeper and broader cooperation. The DPP identifies key priorities for a shared ambition, including support for equitable and sustainable economic transformation, so that benefits of development are shared by all, including women and people with disabilities; tackling the causes of climate change, with a focus on energy transition, and preparing for and adapting to the impacts of climate change; building broader and deeper links between Australian and Indonesian institutions; supporting efforts to "crowd in" additional finance from private sector, international financial institutions and other multilateral organisations, focusing infrastructure support on strengthening planning, supporting Indonesia's Health Transformation Agenda, and renewing and elevating commitments to locally led development. ABIP2 is a mechanism for Australia to deepen its engagement in economic governance, climate change, human capital development, infrastructure and sustainable development,

in a manner that leverages other financing (particularly MDB loans) in support of GOI priorities. ABIP2 contributes to Australia's target of at least half of all new investments over \$3 million to have a climate change objective.<sup>1</sup> Working alongside the Bank on analytic and capability building work that promotes gender equality and inclusion provides complementary and consistent support to the GOI on these priority policy issues.

ABIP2 is closely aligned to the priorities of the GOI as expressed in the National Long Term Development Plan 2025-2045 (the RPJPN) which outlines how Indonesia plans to grow and diversify its economy to achieve high-income status by 2045, while transitioning to renewable energy and building resilience to the impacts of climate change. The key national development pillars of the RPJPN include sustainable economic development, human development, science and technology; equitable development; and strengthening national resilience and governance. Indonesia's National Medium Term Development Plan (RPJMN) has 2025-29 as a period of "transforming the foundation" for future growth, equity and resilience, with an emphasis on transformation of social (health, education, and social protection services), economic, governance, rules of law and socio-cultural and ecological resilience areas of development. The five-year plan is pitched as moving from a 'reform' agenda to a 'transformation' agenda, anticipating a scaled-up period of changes in social and economic policy and service provision, requiring a strong commitment to evidence-based policy making, and high quality analytics and technical support, to be effective.

The World Bank has engaged in Indonesia for over 60 years. The partnership is one of the largest Bank operations, having evolved towards a country-led and country-owned policy agenda, consistent with Indonesia's status as a middle-income country. A Country Partnership Framework 2021-2025 (CPF) was adopted, aligned to the GOI RPJMN. The CPF is supporting the GOI to promote inclusive and sustainable economic recovery from the COVID-19 pandemic and achieve long-term economic growth. It has four engagement areas: strengthening economic competitiveness and resilience; improving infrastructure, nurturing human capital, and sustaining management of natural assets, natural resources-based livelihoods and disaster resilience. Three cross-cutting themes support the CPF: digitalization, gender, and climate change. ABIP is a unique mechanism for the World Bank in Indonesia. As a flexible multi-sector Trust Fund, it enables the Bank to respond to demand for analytic and capacity support from the GOI in a timely and efficient manner, while also supporting key Bank priorities and challenges related to longer term policy concerns and supporting loan preparation and quality implementation of key reforms.

The partnership with the Bank is an important lever available to Australia in prosecuting its strategic interests in line with the Southeast Asia Economic Strategy to 2040 and has been structured to enable Australia and the Bank to manage a period of transition at the change of government administration. It remains agile and flexible to respond to any future changes in the local political economy. Priorities under the Prabowo Government as outlined in the new administration's '*Asta Cita*' agenda include focus areas in health and nutrition, education, infrastructure, and tax reform. President Prabowo's vision for Indonesia, as articulated in his recent inauguration speech, is aimed at tackling poverty, harnessing digital technology to ensure social assistance reaches those in need, achieving food and energy self-sufficiency, and downstream processing to increase the value of key commodities. The World Bank is already engaging with GOI on many of these agendas, including through ABIP-supported analytics. It is therefore likely that the demand for ABIP analytics will be maintained or increase.

### *Context analysis and development challenges*

Australia's DPP and the ABIP2 Concept Note prepared by the World Bank are highly aligned on analysis of the pressing economic, social and environmental challenges facing Indonesia. To achieve its ambitious economic growth and equity ambitions outlined in the RPJMN, Indonesia faces huge challenges in building human capital to support a transforming economy with new labour market needs; in providing adequate infrastructure to sustain improved competitiveness and growth; and supporting improving efficiency and quality in service delivery to meet the expectations and demands of a growing, and more urbanised, middle class while "leaving no-one behind". In this context, a focus on gender quality and inclusion (including disability inclusion) is not only important for stability and social cohesion, but critical for sustaining growth. Indonesia is among the top tier countries at risks

<sup>1</sup> Australia Department of Foreign Affairs and Trade, Australia-Indonesia Development Partnership Plan 2024-2028.

from climate change. The Asian Development Bank estimates that by 2100, the effects of climate change could cost Indonesia between 2.5% and 7% of Gross Domestic Product (GDP)<sup>2</sup>. Indonesia's commitment to a green economy demands increasing attention to science and technology and protection of natural assets, and the growing impact of climate change demands a stronger focus on disaster resilience and transformation of traditional natural resource-based livelihoods.

ABIP2 will remain as a unique mechanism that offers an important comparative advantage in this operating context, functioning as a complementary 'tool' in a toolkit of multiple aid modalities. The proposed funding amount for ABIP2 represents a relatively small fraction of the investment DFAT currently makes through other modalities such as programs and facilities delivered by managing contractors. The World Bank also offers other policy-influencing tools that are not available through other bilateral programs. For example, ABIP is strategically positioned to leverage other forms of financing that will be critical to address Indonesia's economic and social challenges, including from financial institutions (the multilateral development banks, including the World Bank itself); Government sources (from national, regional, and local budgets through more rational policy aligned planning and resource allocation); and from the private sector through better informed stakeholders and better policy settings that incentivise the right kinds of domestic and foreign investment. [Note: as of June 2024, ABIP phase 1 leveraged almost USD800million of additional funding].

The World Bank's significant convening power enables it to foster collaboration and synergies among other development partners and GOI agencies, linking Indonesian leaders and decision-makers to globally-recognised experts, best practice, and networks. For example, in October 2024 the World Bank convened a workshop on Indonesia's social protection system engaging a broad range of national and international stakeholders, including senior level representation from several government agencies that fostered in-depth discussions within this highly contested policy space.

The ABIP model will help ensure Bank activities are complementary to our bilateral investments and represents excellent value for money for the technical expertise and policy contribution at a national scale that it buys. The coordination team at Post has a critical role in actively managing overall and sectoral priorities and facilitating the negotiation on priority activities and interests with the Bank in line with Australia's other interests.

#### *Lessons learned and key design considerations for ABIP2*

The consultations conducted for the ABIP2 design update confirmed the findings of the MTR that no significant changes were required to the design. Key lessons for DFAT include that:

- The partnership approach and relationship-based nature of ABIP are critical to its ongoing success, for effective engagement with both the GOI and the Bank. DFAT will need to maintain its efforts with the Bank on personal and institutional relationship management throughout the life of the program to be most effective.
- The governance of the program operates at multiple levels, and the transaction costs for all parties have been in balance with their benefits. There are both formal and informal connections across the partnership and within the sectoral themes. DFAT's efforts to strengthen the complementarity of efforts with existing DFAT bilateral programs has been effective. The Advisory Committees and one-on-one advisor and official connections should be maintained and strengthened in ABIP2.
- The improving analysis and narrative in reporting in ABIP Phase 1 Annual Reports has evolved over time, and has extended expectations and effort from the Bank. ABIP works within the Bank systems, and so greater efforts to transform the Program Logic with a more coherent or comprehensive theory of change were resisted and unlikely to be effective. The incorporation of agreed expectations in the Annual Report format for more analysis of impact of Activities, individually and collectively; for self-reflection of the impact of the Partnership's collective contribution with the GOI; and for evidence of alignment and support of existing bilateral investments and leveraging of other financing, should be continued by ongoing dialogue rather than

<sup>2</sup> Orecchia C., Raitzer D., Bosello, F., Tavoni M., Marangoni G, Nuella, J (2016). Southeast Asia and the Economics of Global Climate Stabilization. ADB.



formal requirements to changes to the World Bank internal systems. Note that the Bank did incorporate DFAT requirements for dedicated gender and climate change objectives.

These and other less significant issues were identified for consideration by the Bank and mostly addressed to some extent by the Bank in the Concept Note.

#### *Gender equality, disability and social inclusion, climate change and cross-cutting themes*

ABIP2 directly supports DFAT's gender equality objectives to increase women's economic participation and women's leadership. Building on DFAT's sustained engagement on strengthening gender equality in ABIP Phase 1, DFAT was able to influence the design and Program Logic of ABIP2 to include a specific gender intermediate outcome. It was also able to protect ABIP2 funding of a gender equality body of work and to maintain a systematic approach to gender mainstreaming and reporting. The design presents disability equity and the social inclusion of other disadvantaged groups as key policy priorities. DFAT's preference for a disability IO has not been accepted but the design has introduced the systematic consideration of disability and social inclusion at the Activity level. Climate change is a policy priority and is mainstreamed into ABIP2. It includes a dedicated IO to low carbon growth and climate resilience, a new thematic pillar on promoting sustainable development in a liveable planet, and consideration of climate change in all Activity designs. ABIP2 therefore also support's DFAT's objective to support "climate action investments that are socially inclusive and gender-responsive", as outlined in DFAT's Climate Change Action Strategy 2020-2025.<sup>3</sup>

#### *Linkages to other investments*

The four themes of the ABIP2 Trust Fund complement Australia's bilateral investments in human development (SKALA, INOVASI, PROAKTIF, INKLUSI), economic governance (PROSPERA), infrastructure (KIAT and the ADB partnership), and climate change (KINETIK). DFAT's internal World Bank program management team and sectoral program managers and advisors maintain close working relationships with World Bank ABIP Secretariat and Task Team leaders.

### **D. Proposed Outcomes and Investment Options (What?)**

The anticipated outcomes of ABIP2 are unchanged from phase 1.

The Australia-World Bank Indonesia Partnership will support the Government of Indonesia's efforts to increase inclusive economic growth, including the promotion of gender equality and climate change initiative by (i) accelerating human capital development, (ii) improving economic management and prosperity, (iii) building more and better infrastructure and (iv) promoting sustainable development for a liveable planet. Its project development objective is to support the GOI on the development and implementation of policies and programs, as well as institutional reforms in the areas of human capital, economic management and prosperity, infrastructure and sustainable development while promoting gender equality and advancing climate change initiative.

ABIP has two End of Program Outcomes (EPOs):

EPO1: Strengthen GOI's policy making process to be increasingly evidence-informed and inclusive across the four development pillars by 2029.

EPO2: Enhance GOI's policy implementation capability across the four development pillars by 2029.

There are four Intermediate Outcomes (IOs), which has been updated for phase 2:

IO1: Provide GOI's partners with high quality analysis and technical assistance that **informs and influences policy making processes and reforms** across four development pillars.

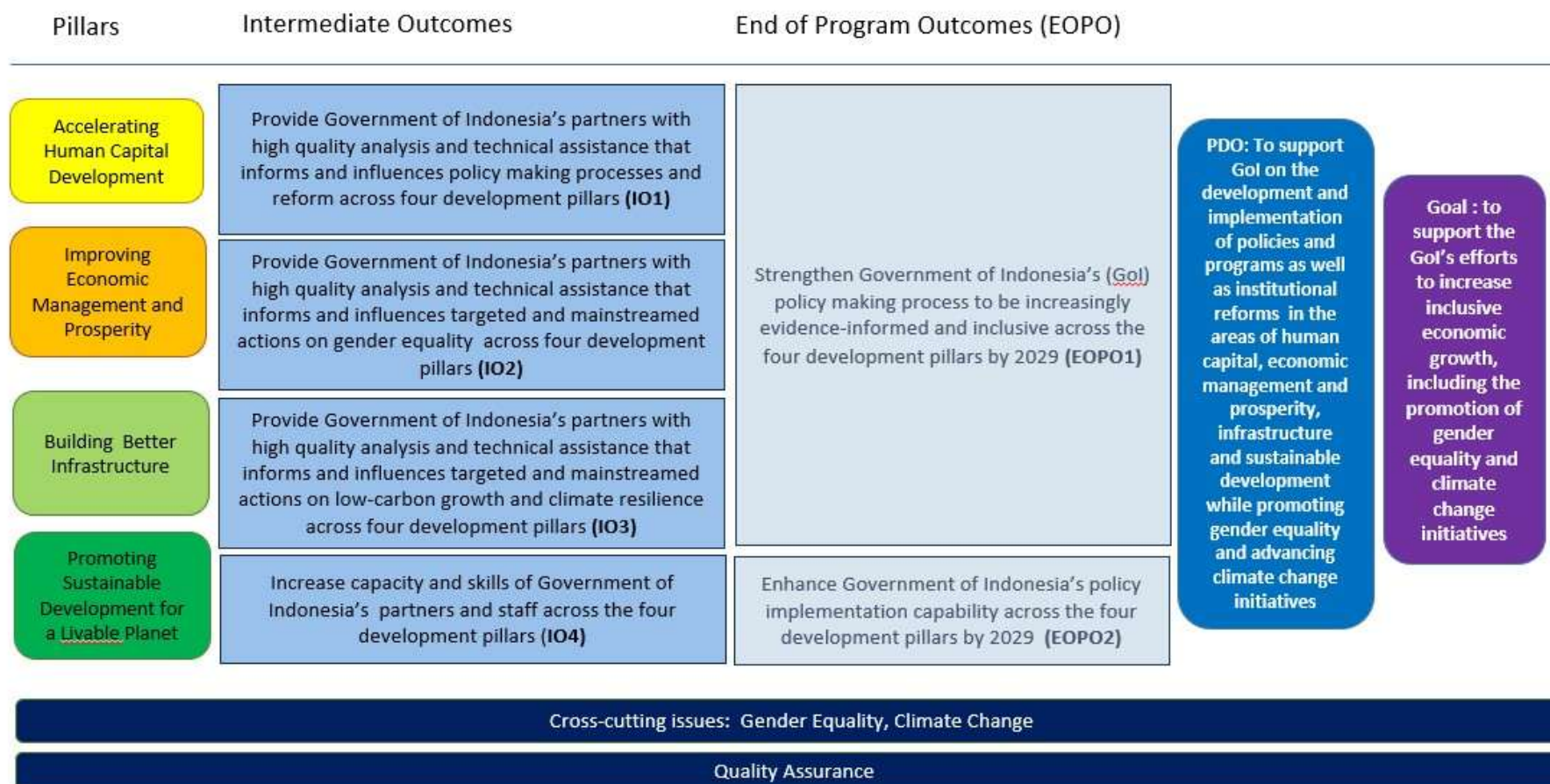
<sup>3</sup> DFAT, 2019. Climate Change Action Strategy – Tackling Climate Change through Australia's Development Assistance Program 2020-2025, p24. Available from: <https://www.dfat.gov.au/sites/default/files/climate-change-action-strategy.pdf>

IO2: Provide GOI's partners with high quality analysis and technical assistance that **informs and influences** targeted and mainstreamed actions on **gender equality** across four development pillars.

IO3: Provide GOI's partners with high quality analysis and technical assistance that **informs and influences** targeted and mainstreamed actions on **low-carbon growth and climate resilience** across four development pillars.

IO4: **Increase capacity and skills** of GOI's partners and staff across the four development pillars.

## ABIP2 Theory of Change





The Goal and Objective are unchanged from ABIP Phase 1. The Bank Concept Note program logic is structured around the four priority development pillars with their own objectives. These pillar objectives contribute to the overall trust fund program logic through four main inputs (analysis and policy advice, knowledge exchange, project design and implementation support and collaborative analysis) that contribute to the Intermediate Outcomes.

There are a number of key features to this form and substance of the Program Logic which flow through to the monitoring and evaluation approach and reporting expectations. From the Bank's perspective, ABIP operates internally as a standard Trust Fund, which is a mechanism for allocating funding to individual Activities. The Fund is not managed or directed as a project or program, where the Activities have dependencies, build up on each other, or "add up" to a higher order result in themselves, they remain as discrete separate Activities. This is true also for DFAT who anticipate that individual Activities contribute in a broader sense to the bilateral program and to the efforts of the GOI and other actors. The four themes of ABIP2 reflect the internal management structure of the Bank, and do not work in a complementary manner. Each theme is not regarded as an outcome area, but the Activities supported under the theme complement and support a broader GOI policy or planning framework (not reflected in this Program Logic or in reporting). The Bank states in the Concept Note that the ABIP modality is subject to limitations, including that the sphere of control is limited to ensuring the quality and timeliness of its services, not to the utilisation or effect of the products provided. While this is true (and is for provision of any analytic, technical assistance and capacity building services), the Bank's approach to M&E is more focused on accountability for the commitments it makes in a Program Logic related to internal incentives and performance evaluation, while DFAT would prefer an approach that provided more analytic information and analysis of impact embedded into the Program Logic itself. The IOs reflected in the Program Logic for ABIP are thus a compromise of language and expectation to be resolved in the format and narrative of the Annual Report (refer to M&E section following).

Through the consultation process for this design update, DFAT identified important features of the partnership and approach of ABIP that makes it effective and particularly strategic for Australia. These features were suggested for consideration to be included in the Program Logic, but as a partner-led design, were not able to be required for inclusion.

These important aspects of ABIP are captured in the following Policy Objectives sitting behind the program:

1. To strengthen coherence and consistency of policy advice and analysis from Australia and the Bank through more joined up, complementary and integrated cooperation.
2. To respond to the demand from the GOI for analytic and technical assistance and to stimulate demand and attention on forward-leaning, longer term development challenges facing Indonesia.
3. To enhance the contribution both parties (DFAT, World Bank) have on strategic policy and operational reforms led by the GOI by playing distinct and changeable complementary roles as appropriate to complex institutional, political and public policy settings.
4. To enhance the performance of the Bank in Indonesia in relation to key policy interests (gender, disability inclusion for example) and to leverage additional financing available to Indonesia from multilateral and financial institutions.

These policy objectives are implicit throughout the World Bank Concept Note for ABIP2, and are understood and agreed by both parties as central to the partnership. The Annual Report will continue to provide evidence and information in relation to achievement of these objectives, but not directly reported or analysed. DFAT Post's management team will review the information provided by the Bank, as well as broader stakeholder feedback and other evidence, to provide an analysis and report against these areas in annual internal monitoring reporting, as well as in cables and other internal communications as appropriate. Each year DFAT will update its priority policy interests in the Policy Matrix and outline which Activities will be paid greater attention to in the ABIP2 portfolio, to better direct and focus DFAT efforts in policy dialogue, coordination and public diplomacy.

## E. Implementation Arrangements (How will DFAT engage in the partnership?)

Implementation arrangements are outlined in detail in the Concept Note. Key features, and implications for DFAT ongoing engagement and management, include:

- **Activity selection and funding allocation** by the Bank occurs annually across the four key themes using World Bank TF processes and requirements. Activity concepts and proposals are informed through early technical consultations with the relevant requesting GOI agency to clarify scope and high-level objectives. Access to ABIP funds is highly competitive internally in the Bank, with almost half of all activities proposed being dropped before they get to DFAT. Selection criteria for the ranking of potential activities by the Bank includes 'alignment with GOI priorities', and 'evidence of GOI leadership and commitment' which is intended to ensure uptake and utility of analytics and evidence for policy development. Under ABIP phase 1 DFAT has not had to reject any activity proposal, although in some cases it has provided substantial feedback on proposals with support conditional on changes. DFAT's early feedback to the Bank on Activity concepts, proposals and selection, and in scoping and implementation of Activities will continue to ensure alignment with DFAT's bilateral programs working in the same sectors. The DFAT ABIP Secretariat will maintain internal coordination and communication across all teams to ensure visibility of activities and pro-active communication and linkages between programs and advisers working on related activities. The Concept Note has committed to a funding allocation for the World Bank Gender Programmatic Advisory Services and Analytics (PASA), and to continue support for mainstreaming gender into all individual activities, through selection criteria and quality assurance of activity proposals and plans. All proposals must also consider the integration of disability and social inclusion and climate change mitigation or adaptation efforts.
- **A results framework** is included in the Concept Note. The Bank has made a commitment to monitoring intermediate outcomes and has included Key Evaluative Questions (KEQs) as suggested by DFAT, including consideration of the extent to which activities have strengthened action on gender equality, disability and social inclusion and climate change. The primary methodologies for reporting are however largely Activity based, relying on data and analysis of the individual case studies from separate activities. Of more importance to DFAT than the indicator-based data proposed by the Bank for its internal purposes, will be the narrative analysis provided in the Annual Report, using the agreed format that has evolved through the course of phase DFAT will engage with the Bank in scoping the expectations of the **Annual Reports** for ABIP2 with an emphasis on the information sources and analysis required for the KEQs and IOs of the new updated Program Logic.
- **Governance arrangements** include the formal Steering Committee co-chaired by the DHOM and World Bank Country Director and attended by the Bank's Operations Manager and four Program Leaders, DFAT Counsellors and the ABIP Secretariat. The Steering Committee approves the annual workplan and budget allocation for the following year and meets annually (usually in May) to discuss the strategic direction of the partnership and shared priorities and interests. Four Advisory Committees co-chaired by the relevant Bank Program Leaders and DFAT Minister Counsellors are attended by GOI officials. These Committees usually meet in March to review performance, consider the Activities proposed and ensure alignment to GOI priorities prior to submission to the Steering Committee. These arrangements were reviewed in the MTR and the design update consultations and found to be effective and appropriate. The recommendation from the MTR to include other relevant line ministries in Advisory Committee meetings beyond ABIP's core partners<sup>4</sup>, (including inviting the Ministry of Women Empowerment and Child Protection) was implemented in 2023. This has resulted in increased engagement and deepened policy dialogue at Advisory Committee meetings with a broad range of senior Echelon 1 and 2 GOI officials.
- **Ongoing dialogue** between the DFAT ABIP Secretariat and the World Bank ABIP Secretariat, to share information, linkages and contacts between Program and Activity advisory teams, and sharing of knowledge products, opportunities for public diplomacy, and engagement with the GOI.

<sup>4</sup> ABIP's core GOI agency partners: Ministry of Finance, Bappenas, Coordinating Ministry for Economic Affairs, and Coordinating Ministry for Human Development and Cultural Affairs

- **Australian visibility and co-branding with GOI, the Bank, and other stakeholders** will continue to be guided by an updated joint Communications Strategy, as part of the Operations Manual, which will outline guidelines and expectations for co-branding, media and social media engagement, and events. In some cases, DFAT and the Bank may agree to a less active visibility/branding strategy for specific activities.

The implementation arrangements outlined in the Concept Note work within the partner-led system of the World Bank. However, of critical importance is the partnership and relationship-based nature of the engagement between DFAT and the Bank, which is a more dynamic, complex and responsive set of connections that creates ongoing dialogue and exchange between the projects and programs of DFATs bilateral program, Bank personnel and contractors, and GOI officials.

There is an active and ongoing role for the DFAT ABIP team to pro-actively pursue and maintain these connections by facilitating:

1. Convening of internal planning and review discussions on ABIP priorities and activities when information is available.
2. Early identification of opportunities to facilitate engagement between Bank technical teams and DFAT's bilateral implementing partners during consultations on activity concepts and proposals.
3. Convening technical and policy sharing dialogues between Bank technical teams and DFAT implementing partners, sharing of findings from analytic products, fostering ongoing coordination and collaboration.
4. Participation of DFAT bilateral programs at Bank events, where appropriate.

ABIP has also supported and fostered engagement between DFAT and the Bank on policies not directly related to ABIP-funded activities but in areas of significant mutual interest. The attached Policy Matrix outlines a process for the DFAT ABIP Secretariat to work in a systematic and strategic manner across the Indonesian aid program to leverage policy gains from this investment. While the Partnership appears to be transaction heavy for DFAT (with an internal coordination team), it is an efficient approach compared to alternatives in providing the evidence-base for significant GOI reforms, clearly linked to leveraging additional financing (through the Bank and other sources), and strengthening and complementing DFAT's existing investments in bilateral programs.

#### **F. Monitoring, Evaluation and Learning (MEL) (How will DFAT measure performance?)**

The Concept Note includes a Results Framework, which is consistent with the framework utilised in Phase 1. The Results Framework is in line with expectations of similar Trust Fund arrangements within the Bank and focuses on quantitative reporting of data against standardised indicators at the End of Program Outcomes level. The approach fundamentally looks across the suite of Activities and collects data activity by activity. Narrative reporting, using a case study approach, collects and documents more qualitative information for more complex discussion and analysis of the impacts of the Activity. In extensive discussions with the Bank on consultations for the design update it was agreed that the approach developed in phase 1, of working within standard World Bank expectations for the Results Framework and Program Logic, but meeting DFAT needs and expectations through the Annual Report template, would be continued. The Bank included Key Evaluative Questions (KEQs) for Intermediate Outcomes and key policy priorities in the Concept Note, but these are not well integrated into the Results Framework. These evaluative questions should form the basis for the narrative discussion for each sectoral pillar of the program and will be included by DFAT in negotiations over the Annual Report format and template for Phase 2. DFAT Tier 2 and 3 indicators will also be incorporated into this template where possible, including basic indicators related to governance, economic policy reform, social protection, education, infrastructure, gender equality and disability equity, and climate change. This will be a simple data set aggregating activity level information provided in the Annual Report. The DFAT management team at Post will likely need to supplement this report by a further analysis of the Annual Report to elicit all the information required, as these indicators do not align with the Banks internal systems.

The challenge for DFAT has been to tell a performance story across ABIP. While narrative reporting is provided in the Annual report by each theme, the discussion is provided as case studies by Activity, not yet providing an

analysis of influence or impact within the operating context in light of broader GOI reform and performance and in light of the efforts of other actors. The views of the GOI and stakeholders of the effectiveness of the Bank (and DFAT) through ABIP is not provided. The efforts made by the Bank to improve reporting and analysis is not to be dismissed or undervalued, and there has been a clear improvement and utility to reports provided which should not be undermined or threatened by formal requirements in a new Results Framework or Program Logic which would be resisted by the Bank. The agreement in the Concept Note to reflect on IOs in the Annual Report against the KEQs is likely to be challenging. DFAT should anticipate an evolving development and improvement of analysis and narrative over time.

In addition to this, DFAT will initiate an internal reflection process to undertake analysis against the Bank's reporting against the implicit policy objectives with supporting evidence and assessment. A reflection meeting for each key theme with bilateral Post program managers and implementing partners will be convened. Questions to be discussed at each meeting will include:

- i. To what extent did the ABIP portfolio of Activities strengthen coherence and consistency of policy advice and analysis from Australia and the Bank? (by sector/theme)
- ii. What is the balance of meeting **demand** from the GOI for analytic and technical assistance and to what extent did ABIP undertake activities to **stimulate** demand and attention on forward-leaning, longer term development challenges facing Indonesia?
- iii. How did the ABIP partnership enhance the contribution both parties (DFAT, World Bank) have on strategic policy and operational reforms led by the GOI, and what distinct and complementary roles did each party play? (refer to case study examples)
- iv. How did DFAT influence the performance of the Bank in Indonesia in relation to key policy interests (gender, disability inclusion for example) and to what extent was there leverage of additional financing available to Indonesia from multilateral and financial institutions to areas of key Australian economic and strategic interest? (drawing on Bank reporting)
- v. Were DFATs personnel and resources used efficiently compared to alternatives, in supporting effective outlines aligned to DFATs existing efforts?

DFAT and the Bank will conduct an annual Partnership Health Check to review progress of the partnership, identify issues and make recommendations to the Steering Committee for endorsement. This will be conducted by the DFAT management team and ABIP Secretariat at working level. DFAT will propose a joint DFAT/WB Mid Term Review to be conducted by an independent team where the KEQs of the Concept Note will form the basis of the Terms of Reference:

- (i) to what extent did the Activities of the portfolio respond to and build commitment from GOI to using evidence for policy making and implementation on emerging and priority issues for Indonesia?
- (ii) In what manner and to what extent did the World Bank and Australia work collaboratively across the portfolio (by pillar, on gender equality, disability and social inclusion, and climate resilience) that used the positioning and convening power of the different partners?
- (iii) To what extent has the nature and number of gender-specific activities increased and in what ways has a strengthened emphasis on gender been achieved within sector pillar activities, and to what extent has this responded to and built GOI demand for evidence and technical advice to mainstream gender analysis in policy development, and to advance gender equality?
- (iv) to what extent have activities strengthened action on climate change and responded to and built GOI demand for evidence and technical advice on mitigation and adaptation policies and programs?;
- (v) in what ways has disability equity been achieved within sector pillar activities, and to what extent has this responded to and built GOI demand for evidence and technical advice to mainstream disability equity in policy development?

The processes outlined in the attached Policy Matrix for identifying key interests and priorities each year related to the ABIP portfolio of Activities will provide a basis for undertaking this analysis and reporting.

## G. Gender, Disability and Other Cross Cutting Issues

### Gender equality

The progress in raising the profile and importance of gender equality in the Australia-World Bank Indonesia Partnership reflects a sustained effort by DFAT in advocating for gender equality since the design of ABIP Phase 1, through implementation, 2022 MTR of ABIP Phase 1 and into the design of ABIP2. Despite the World Bank's global strategy on gender equality, it remains relatively neglected in practice outside of the human development sectors. The fact that gender is wired across ABIP2, is a reflection of DFAT's priorities and influence. The World Bank Group Gender Strategy 2024-2030 identifies that climate change exacerbates and other social gender inequalities, and also acknowledges that "enhancing women's role in climate action can advance climate goals."<sup>5</sup> This also aligns with Indonesia's commitment as reported to the UNFCCC on implementation of the Gender Action Plan: that efforts to "strengthen women's leadership capacity in climate change actions has started, and will continue as a part of the implementation on Indonesia's Nationally Determined Contribution (NDC) and Long-term Strategy for Low Carbon and Climate Resilience 2050 (LTS-LCCR)."

The World Bank Concept Note includes a gender analysis that identifies critical gender gaps in Indonesia. It describes how ABIP2 takes a twin track approach to gender equality through funding for gender specific analytics and policy work, and by mainstreaming gender across the four pillars of the portfolio. It will support DFAT's gender equality objectives of increasing women's economic empowerment and strengthening women's leadership. Gender specific funding will contribute to a Gender Equality Program of analytics and policy advice related to increasing women's labour force participation, the work-care nexus and strengthening the care economy. This builds on analytical work funded by ABIP Phase 1 and the National Roadmap for the Care Economy that it informed. The agreement that DFAT reached on an allocation for the gender specific workstream, effectively protects it from having to compete for ABIP2 funding with other sectors and teams, and is DFAT's and the World Bank's preferred way of affirming the centrality of gender equality within the program without changing the thematic pillars which mirror how the World Bank is organised.

The gender mainstreaming approach introduced during ABIP Phase 1 will continue. This requires all Activity proposals to be informed by a gender analysis, explain how the findings are integrated in the Activity design. Selection of Activities is weighted in favour of proposals that have a strong gender rationale, and funded Activities annually assess their gender performance. ABIP includes targets for analytical Activities that have gender as a principal or significant objective. ABIP Phase 1 funding enabled the Indonesia World Bank office to increase the percentage of its loans meeting internal 'gender tag' standards from 67% in 2020 to 100% in 2024.

ABIP's results framework includes a strong focus on measuring performance of the gender mainstreaming approach by monitoring the percentage of Activities that include a gender approach at design, percentage of Activities that review the gender approach on an annual basis, and the share of analytical Activities that have a principal or significant gender focus. During ABIP Phase 1 the combined principle or significant gender focus target was set at 50%, and though it was consistently reached, the Bank have pushed back against suggestions that it be raised in the ABIP2 Concept Note. This is a point for DFAT to continue advocating for during implementation. At the end of program outcome level, indicators measuring performance on informing policy and strengthening government capability are respectively disaggregated by the percentage that had a significant gender impact. While the results framework has reinforced the importance ABIP assigns to gender within the World Bank, the number counting focus has not fully met DFAT's internal reporting needs to assess and report on program outcomes. DFAT has been able to strengthen the monitoring and evaluation approach to ABIP2 by having the World Bank agree to revising the intermediate outcomes and including a set of KEQs to complement the results framework. For gender, the KEQ introduces scope for a more reflective analysis of progress across the portfolio on gender mainstreaming and how ABIP2 analytics and technical assistance have informed Government partners

<sup>5</sup> World Bank Group, 2024. World Bank Group Gender Strategy 2024-2030, p10. Available from: <https://documents1.worldbank.org/curated/en/099061124182033630/pdf/BOSIB17e6952570c51b49812a89c05be6a4.pdf>



on targeted and mainstreamed actions on gender equality. The program meets the OECD DAC minimum standards of a gender significant investment.

Engagement of Government partners in the governance of the program is structured around the four thematic pillars. This means that gender equality is not a specific focus of the engagement with government. DFAT has encouraged the World Bank to find a solution and suggested inviting the Ministry of Women Empowerment and Child Protection to represent Government of Indonesia on gender equality at thematic Advisory Committees. The alternative proposal in the World Bank Concept Note is to invite Gender Focal Persons from the respective attending ministries. DFAT will continue discussion with the World Bank on how to include a strategic gender perspective and influential voice in government engagement.

ABIP funds the World Bank international gender lead position based in Indonesia who leads the Gender Equality Program, and supports gender mainstreaming into ABIP Activities at proposal, implementation and reporting with consultant support. Allocation of funds across the four thematic pillars and to the Gender Equality Program has not been included in the World Bank Concept Note and will be a World Bank decision. DFAT has secured agreement from the Bank for an allocation for gender targeted activities to ensure the proportion for the gender program is not eroded which will be included in the Operations Manual. DFAT will also use revision of the Operations Manual for the World Bank to identify gender priorities in each thematic area building on ABIP's gender approach and the gender gaps and opportunities identified in the Concept Note.

### *Climate Change*

Indonesia, an archipelago country, is highly vulnerable to climate change and a significant greenhouse gas emitter. Indonesia is among the top tier countries at risk from the impacts of climate change.<sup>6</sup> The country is facing increasingly severe flooding, intense storms, and coastal surges that damage natural assets and critical infrastructure. Changes in weather, such as heatwaves and altered rainfall patterns are affecting livelihoods, food production, water resources, and health, particularly in the most disadvantaged and food-insecure communities. The impact of climate change is undermining the rapid economic growth that saw poverty fall from 23% in 1999 to 9.5% in 2022. High population densities in hazard prone coastal areas, coupled with a strong reliance on natural resources and weather-dependent industries, puts millions at risk. The growth and climate nexus is highlighted by the water security risks where the World Bank estimates that 'To achieve Vision 2045 an average annual GDP growth rate of 5.7 percent is required – yet if water-related threats remain unaddressed, GDP is likely to be 7.3 percent lower by 2045 putting the GOI's targets into jeopardy.'<sup>7</sup>

The country's 2045 goals include ambitious climate change adaptation and mitigation targets. ABIP2 now incorporates a specific IO related to low carbon growth and climate resilience. One of the four key themes is promoting sustainable development for a liveable planet, in line with internal management structure changes within the Bank team in Indonesia that reflects this priority. This theme will help achieve Indonesia's climate change adaptation and mitigation goals, improve food, nutrition, and water security, advance landscape and oceanscape management, and enhance social sustainability and inclusion. As identified in Indonesia's Nationally Determined Contribution (NDC), "mapping gender issues in climate change in all development sectors will be crucial in implementing the policy", and "taking into account gender and inter-generational equalities, as well as the needs of vulnerable groups" is essential for a just transition and access to decent work and quality jobs. Further, the GOI has made progress on gender responsive climate budgeting, which will be an important aspect of

<sup>6</sup> World Bank Group and Asian Development Bank, Climate Risk Profile: Indonesia 2021; World Bank (2023) Country Climate and Development Report: Indonesia.

<sup>7</sup> World Bank, Indonesia Vision 2045 Towards Water Security, 2021, page xii.

measuring work related to IO3<sup>8 9</sup>. Climate change is also mainstreamed, with all activities required to consider how activities integrate mitigation or resilience efforts. A new indicator on climate financing has been added to the results framework, and climate related activities will be tagged and reported to contribute to Australia's international climate financing commitments.

### *Disability Inclusiveness*

Disability equity is not mainstreamed into the design of ABIP2 and has not been a strength of ABIP or the World Bank in Indonesia. Disability is included as a key policy priority in the World Bank Concept Note alongside gender and Indigenous Peoples and ethnic minorities. The Concept Note sets out the World Bank's strategy to disability inclusive development with key areas including inclusive infrastructure design, capacity building and awareness raising, policy and legal reforms, data collection and analysis, and partnerships with Organisation of Persons with Disabilities (OPDs). It presents activities that will address disability gaps in inclusive early childhood education and development, adaptive and inclusive social protection, and market exclusion of women and people with diverse abilities under the human development theme; collection and analysis of disaggregated and intersectional data on poverty including the perspectives of persons with disabilities under the economic management and prosperity theme; and integration of disability inclusion and engagement with OPDs during the design of investments under the sustainable development for a liveable planet theme. In response to DFAT's policy and prioritisation of disability equity, the Bank have introduced the systematic consideration of disability and social inclusion at the Activity design stage; this is an incremental improvement on Phase 1, though less strategic and influential than DFAT's preference for a disability IO. Another gain is the introduction of a disability equity KEQ in the M&E approach which provides scope for reflection and reporting on how disability equity has been addressed across the Portfolio and responded to and built GOI demand for evidence and technical assistance for mainstreaming disability into policy development. DFAT will need to continue being proactive in lifting the agenda. This will include supporting the Bank to extend its work by connecting World Bank sector teams funded via ABIP with DFAT programs working on disability equity and rights including INKLUSI, INOVASI, PROSPERA etc. Secondly, by connecting World Bank teams to Organisations of People with Disability that DFAT is working with through learning and exchange sessions around emerging policy priorities and Bank flagship analytics. In addition, during ABIP2 implementation, DFAT will advocate for the World Bank to develop a flagship report on disability inclusion as part of its work on inclusive economic growth; draw out the practical entry points for disability inclusion across the thematic areas; and strengthen attention to disability equity through the updating of the Operational Manual such as by enriching planned gender analysis of each Activity into a GEDSI analysis, articulating the meaningful participation of people with disabilities, and budgeting for reasonable accommodations. There is a risk that despite design efforts, attention to disability equity remains marginalised. Performance on disability equity and how this could be further strengthened in line with the spirit and intent of ABIP2 as relevant, should be a focus of the planned MTR.

### *Private Sector Engagement*

Private sector participation is primarily promoted and addressed through the ABIP2 theme of economic management, and support of the GOI policy and efforts to incentivise and encourage domestic and private investment for economic growth. The program is not intended to work directly with the private sector.

### *Sustainability and Locally Led Development*

Although the World Bank is the Delivery Partner for this investment, the Bank serves to support the policy priorities and government leadership of Indonesia and is directed and led by the GOI. It is aimed at supporting GOI

8 Government of Indonesia, 2023. Gender Responsive Climate Budgeting in Indonesia." Available from: <https://www.undp.org/indonesia/publications/gender-responsive-climate-budgeting-handbook>

9 Government of the Republic of Indonesia, 2022. Enhanced Nationally Determined Contribution 2022-2030. Available from: [https://unfccc.int/sites/default/files/NDC/2022-09/23.09.2022\\_Enhanced%20NDC%20Indonesia.pdf](https://unfccc.int/sites/default/files/NDC/2022-09/23.09.2022_Enhanced%20NDC%20Indonesia.pdf).

policy decision making and GOI-led execution utilising its own resources, including those secured through Bank loans. ABIP is a mechanism that directly responds to the demand of the GOI for analytic support and technical assistance not available from within its own resources or capacity. All Activities are identified, directed and implemented by the GOI within its policy and management frameworks. The Bank utilises a range of international and local advisors to supplement the international and national staff deployed by the Bank in Indonesia. DFAT will seek to strengthen the Bank's approach to localisation through articulation of strategies and commitments in the Operations Manual developed early in Phase 2.

#### **H. Budget and Resourcing (What will it cost?)**

ABIP2 has a budget of \$60 million over 10 years, with an initial commitment of \$30 million over 5 years (January 2025-December 2029), with an optional 5-year extension valued at \$30 million (January 2030-December 2034). DFAT proposes a baseline contribution of \$6 million per year to enable predictable multi-year planning, representing approximately 2 per cent of Australia's bilateral development support to Indonesia per year. DFAT will commission a mid-term evaluation at end 2027, considering whether the design is still 'fit-for-purpose', and to inform decisions on the program extension. A final review will then be conducted in 2032 to inform the future direction of the partnership and any new design.

Activity allocation by theme is subject to an initial activity selection process internal to the World Bank. The scope and objectives of each activity proposal are subject to input and advice from GOI captured through the annual Advisory Committee meetings and in consultation with DFAT bilateral teams.

The Administration Arrangement will include an initial tranche payment on signing to support any urgent requests from GOI to the Bank for analytics to support the new government's policy agenda. These activities will be identified through the grant agreement negotiation process.

DFAT Post has a World Bank Partnership unit including First Secretary, Program Manager (LE5) and Program Manager (LE4) who will manage the program. Key responsibilities include: ensuring alignment and complementarity between ABIP activities and DFAT's bilateral investments; reviewing quality of ABIP deliverables in coordination with DFAT program managers and contracted advisory teams; engaging and coordinating policy dialogue with GOI in association with the Bank on priority issues (with technical and specialist advisers from bilateral programs); convening Advisory Committees for each theme; coordinating public diplomacy events and materials as appropriate; supporting the Steering Committee representatives; overall program monitoring and evaluation; ongoing risk monitoring and management; financial and grant management. While formal grant and financial management is limited and efficient under this mechanism, the Annual Workplan may contain up to 50 Activities with 150 deliverables involving multiple stakeholders, GOI agencies, and linked to multiple DFAT investments requiring considerable relationship and coordination to optimise impact. Given the wide scope of ABIP activities, the Policy Matrix is proposed as a tool to help the team negotiate key policy priorities with sectoral teams at Post, and to focus engagement and dialogue with the Bank and GOI stakeholders in the most targeted and efficient manner, which will also support strengthened reporting on the program's impact and the role of actors at Post.

#### **I. Risk Management and Safeguards (What might go wrong?)**

Risks for ABIP2 will be managed in accordance with World Bank and DFAT risk management frameworks, enabling the identification, assessment, monitoring, mitigation and treatment of risks throughout implementation.

The DFAT ABIP Secretariat at Jakarta Post, will have overall responsibility for day-to-day coordination of risk management. The key focal point will be the Program Manager (LE4), supported by the First Secretary, World Bank Partnership; Counsellor, Human Development and other staff members in other DFAT bilateral teams. Key responsibilities will be:

- Monitoring and updating the DFAT ABIP2 risk register on a quarterly basis
- Convening a quarterly risk review discussion with the World Bank

- Escalating emerging high risks or risk events to post management and Canberra
- Review of risks and mitigations identified by the Bank for each new activity proposal, seeking input from DFAT bilateral teams on sector specific risks relevant to each activity.

The World Bank ABIP Secretariat will be the coordination point for the risk management ABIP2, which includes:

- Risk analyses undertaken by Bank technical team leads for all activity proposals, including consideration of steps to remove or reduce risks. All activity proposals (and risk assessments) to be reviewed by the four thematic Program leads prior to final approval by the Steering Committee.
- Reporting on risk to the Steering Committee, with any high risks highlighted for consideration.
- Engaging with DFAT in quarterly risk management discussions
- Advising DFAT of any emerging high risks or risk events

Risk information will be shared through:

- Ad-hoc notification from the Bank to DFAT for emerging high-impact risks
- Standing agenda item on risk for the fortnightly program management meetings, a quarterly formal risk review and through the formal governance mechanisms (ie Advisory Committee meetings and Steering Committee meeting).
- Risk briefings to risk owners including the Deputy Head of Mission and the Minister Counsellor (Governance and Human Development), including proposed controls and treatments
- Inclusion of risk analyses in all activity proposals
- Inclusion of key risks in the Semi-Annual report and Annual report

### *Key Risks*

The Bank assessed the inherent risk rating for ABIP2 as Moderate prior to mitigation. The Bank notes that all risks identified can be reasonably mitigated but does not provide an updated post mitigation risk rating. The Concept Note identifies three areas of risk at the trust fund level – Strategic, Stakeholder, and Financial, which are mostly operational and implementation related.

The DFAT ABIP2 preliminary risk register is provided separately. The overall risk (post proposed treatment) is regarded as Low.

The risk register identifies several risks related to stakeholders; political context; programming; and collaboration, coordination and cooperation, including:

- Lack of GOI ownership of priorities and demand for analytic products produced by ABIP, including lack of engagement in Advisory Committee meetings.
- Analysis and TA services provided in isolation without due consideration of the complex political economy of institutional settings and challenges, so there is limited use in policy and decision making.
- Lack of coordination and duplication; inconsistency of advice offered to the GOI between Australia and the World Bank; or advice that conflicts with Australia's approach or priorities.
- Lack of institutional attention paid by the Bank to gender and disability inclusion.
- ABIP2's early implementation is impacted by the transition of the new government administration, including difficulty in engaging GOI due to machinery of government changes.

Several implementation mechanisms agreed by the Bank and DFAT will ensure that these risks are monitored, and managed effectively across the partnership, including through the review and approval of Annual Workplans and proposed Activities; the opportunity to review draft Bank products to ensure alignment with GOI and Australian priorities; and strong engagement at all levels of the partnership (at the Secretariat level, between Bank sector leads/Task Team Leaders and DFAT bilateral program teams, and senior management). An agreed transition plan has been discussed throughout the design process including a process for identification of any urgent requests to support the new government administration that will be agreed upon through the grant negotiation process.

### *Partner Government Systems*

It is likely that the majority of activities funded under ABIP will be Bank-executed, rather than recipient-executed, given DFAT's preference for closer oversight of and engagement with Bank activities. Bank executed activities are also better suited to smaller budgets and policy work. The Bank is subject to an annual Partner Performance Assessment globally by DFAT. Any issues experienced by ABIP can be reported to DFAT central risk and financial management sections.

#### *Fraud Control and Anti-Corruption and Counter Terrorism Resourcing*

Findings from the [Indonesia 2023 Mutual Evaluation Report](#) conducted by the Financial Action Task Force (FATF) found that the money laundering risks for Indonesia comes from a variety of sources, including corruption, narcotics, tax and forestry crime. Indonesia also faces high risks of terrorism financing due to the presence of terrorist organisations. FATF found the country has a good understanding of these risks with a strong legal framework in place, and risk-based policies and strategies to mitigate money laundering and terrorist financing risks. The report found that Indonesia successfully detects, investigates and prosecutes terrorist financing in line with its risk profile.

According to DFAT's 2022 Due Diligence Assessment, the World Bank has stringent financial management systems in place to mitigate risks related to fraud, corruption and terrorism financing that meet DFAT standards and requirements. This system includes (i) a Sanctions for Fraud and Corruption policy (ii) a two-tiered sanctions system that independently adjudicates cases of sanctionable conduct and (iii) the Bank's Partnership Due Diligence process for all third parties. DFAT's Due Diligence report assessed counter-terrorism as low risk for the World Bank Group highlighting the Bank's established screening process for all potential vendors as an effective control.<sup>10</sup> In addition, the Bank's procurement process is designed to ensure that procurement decisions represent good value for money and adhere to established directives and procedures.

Under ABIP2, given the context in Indonesia, these types of risks will be discussed openly in program management meetings to ensure the Bank is applying its own stringent risk management policies and procedures.

#### *Environmental and Social Safeguards, Protection from Sexual Exploitation, Abuse and Harassment (PSEAH) and Child Protection*

World Bank's Environmental and Social Framework (ESF) and Environment and Social Standards (EDD) and associated guidance notes provide comprehensive guidance and standards to assess and manage risks on environmental and safeguards risks and are generally aligned with DFAT's Environmental and Social Safeguards policies. All ABIP2 activity proposals will be required to conduct an initial environmental and social safeguard assessment. Where these types of risks are identified, if necessary, DFAT will seek additional information from the Bank actions to be taken to remove or reduce these risks.

As the majority of ABIP2 activities will involve advisory and analytical services at a national policy level the likelihood of SEAH and child protection risks being realised is unlikely. These risks, however, vary by sector. It is anticipated that a small number of ABIP2 activities might involve direct contact with vulnerable communities and groups either by World Bank staff or contractors/ third parties.

For activities with higher SEAH and child protection risks, DFAT will seek to incorporate into the ABIP2 Operations Manual additional steps to be taken by Bank technical teams to ensure these risks are appropriately identified, assessed and mitigated. When reviewing these particular Activity Proposals and risk analyses, DFAT will ensure the Bank documents steps to be taken to reduce or remove these risks in accordance with DFAT's own PSEAH and child protection policies and guidance. This will also include consideration of how the Bank will monitor third party activities that involve direct access with beneficiaries. DFAT will also seek to include a reference in the ABIP2 Operations Manual to prompt reporting and a specified timeframe for report by the Bank of child protection and SEAH incidents.

<sup>10</sup> The World Bank Group's Vendor Eligibility Policy states that vendors are ineligible to undertake business with the Bank if they are on the World Bank list of ineligible firms, the US Executive Order 13224 sanctions list, the UN 1267 sanctions list and/or the UK terrorist sanctions list.



#### **J. Quality assurance (Does the design meet DFAT's quality standards?)<sup>11</sup>**

The ABIP Concept Note was subject to an internal independent quality assurance process of the World Bank. The IDS (and accompanying World Bank Concept Note) was subject to an independent appraisal and internal DFAT peer review prior to final approval of the design. Appraisers were supportive of the design update with the consensus scores for each of the DFAT design quality criteria, with key updates incorporated into the disability inclusion and risk and safeguards sections.

#### **K. Annexes**

1. Policy Matrix

<sup>11</sup> Program managers should refer to the [Investment Design Quality Assurance Guidance](#) for advice on quality assurance options to help ensure the investment will meet DFAT's quality standards



## Annex 1 - Policy Dialogue Matrix

Related policy objective	Problem/ Issue	Policy outcome sought	Program entry points for policy dialogue	Influential stakeholders	Resources required	Policy dialogue lead within AHC	Partnership engagement lead within MC/implementing partner
1. To strengthen coherence and consistency of policy advice and analysis from Australia and the Bank through more joined up, complementary and integrated cooperation.	<p>Multiple advisers and work streams across sectors may duplicate efforts or provide inconsistent advice.</p> <p>Key priorities for Phase 2:</p> <p>a. accelerating human capital development.</p> <p>Examples:</p> <ul style="list-style-type: none"> <li>social protection and care economy: reforms to aged care, pensions, disability benefits</li> <li>Education: early childhood and local language curriculum reforms, teaching</li> </ul>	<p>Coordinated and analytic and policy advice provided to GOI that stimulates evidence-based decision making.</p> <p>Key priorities are to be discussed and agreed by DFAT sector programs and ABIP program managers for each ABIP theme each year</p>	<p>Activity selection process</p> <p>Review of analytic products</p> <p>Advisory Committees</p>	<p>Bank Program Leaders (PLs)/ Task Team Leaders (TTLs)</p> <p>GOI Agencies</p> <p>ABIP Secretariat</p> <p>DFAT ABIP Program Managers</p> <p>DFAT Sector Program Managers</p> <p>PROAKTIF</p> <p>INOVASI</p> <p>KINETIK</p> <p>KIAT (and others)</p> <p>PROSPERA</p>	Staff time for relationship building, regular meetings, and DFAT internal coordination.	DFAT First Secretary	ABIP Secretariat

Related policy objective	Problem/ Issue	Policy outcome sought	Program entry points for policy dialogue	Influential stakeholders	Resources required	Policy dialogue lead within AHC	Partnership engagement lead within MC/implementing partner
	<p>education, and assessment reforms.</p> <p>b. improving economic management and prosperity. Examples: tax reforms and incentives for DFI.</p> <p>c. building more and better infrastructure. Examples: infrastructure planning and investment climate reforms; planning for WB loan pipeline with environment and social safeguard reforms in GOI system</p> <p>d. promoting sustainable development for a liveable planet. Example: incorporation of climate analysis into budgeting and planning processes.</p>						

Related policy objective	Problem/ Issue	Policy outcome sought	Program entry points for policy dialogue	Influential stakeholders	Resources required	Policy dialogue lead within AHC	Partnership engagement lead within MC/implementing partner
2. To respond to the demand from the GOI for analytic and technical assistance and to stimulate demand and attention on forward-leaning, longer term development challenges facing Indonesia.	Only responding to demand does not allow longer term forward leaning policy discourse and debate	About 10% of ABIP activities to be longer term and forward leaning, to set a forward looking agenda for Indonesia policy and decision makers.	Activity proposals and scoping.  Steering Committee	BAPPENAS  GOI Sector Agencies  Bank Program Leaders/ Task Team Leaders	-	DFAT First Secretary	ABIP Secretariat
3. To enhance the contribution both parties (DFAT, World Bank) have on strategic policy and operational reforms led by the GOI by playing distinct and changeable complementary roles as appropriate to complex institutional, political and public policy settings.	a. Utility of research and analytic products won't have uptake unless considered in political economy, and Bank and Australia have different comparative advantage to engage and influence.  b. Annually: DFAT to identify the top 10 ABIP Activities which warrant substantive policy engagement at senior levels.	Greater uptake and use of ABIP products for policy and decision making.	Coordination and complementary engagement on specific ABIP Activities.	Specific GOI Agency leaders, with Bank PLs/ TTLs, and relevant DFAT program implementation Advisers.	a. Staff time for substantive policy dialogue and engagement with Bank and GOI counterparts  b. DFAT Program Managers to review ABIP Annual Workplan and highlight most strategic policy related activities in areas of Australia's interests	Relevant DFAT Counsellors and First Secretary/s	GOI Agency and Bank PLs.

Related policy objective	Problem/ Issue	Policy outcome sought	Program entry points for policy dialogue	Influential stakeholders	Resources required	Policy dialogue lead within AHC	Partnership engagement lead within MC/implementing partner
4. To influence the performance of the Bank in Indonesia in relation to key policy interests (gender, disability inclusion for example) and to leverage additional financing available to Indonesia from multilateral and financial institutions to areas of key Australian economic and strategic interest.	The World Bank has multiple TFs and a broad scope of Activities and Loans to manage. As a key strategic Partner Australia may be 'taken for granted' or resources used to fulfil Bank priorities at cost of focus and attention to key policy interests of Australia.	<p>Enhanced attention and priority by the Bank given to gender and disability inclusion (not just ABIP but across portfolio).</p> <p>At least 1 flagship Disability Inclusion activity to be selected and implemented by the Bank in phase 2.</p> <p>Integration of climate resilience across Bank portfolio.</p> <p>Increased portfolio by Bank in areas of Australia's interest: infrastructure/energy transition, education, social protection.</p> <p>Annual targets or priorities to be developed by DFAT ABIP Program Managers, particularly in additional financing leverage that complements DFAT</p>	<p>Funding allocation of ABIP across themes, as well as to Gender PASA.</p> <p>DFAT Bilateral program investments working with GOI Agencies and Bank officials to identify opportunities and preparation for leveraging additional financing.</p>	<p>World Bank Operations Manager and Country Director.</p> <p>DFAT DHOM and senior management.</p> <p>GOI Agencies.</p> <p>DFAT Bilateral program TLs and Bank PLs/TTLs.</p>	Staff time and resources for policy dialogue.	DFAT First Secretary. ABIP Secretariat.	Steering Committee Members.



Related policy objective	Problem/ Issue	Policy outcome sought	Program entry points for policy dialogue	Influential stakeholders	Resources required	Policy dialogue lead within AHC	Partnership engagement lead within MC/implementing partner
		bilateral program investments.					