



Australian Government  
AusAID

# 2008 Annual Program Performance Report for INDONESIA



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# Abbreviations

ACCESS	Australian Community Development and Civil Society Strengthening
ACIAR	Australian Centre for International Agricultural Research
ADB	Asian Development Bank
AIPRD	Australia Indonesia Partnership for Reconstruction and Development
ANTARA	Australia Nusa Tenggara Assistance for Regional Autonomy
APPR	Anti-Corruption Commission
ASEAN	Association of Southeast Asian Nations
BAPPENAS	<i>Badan Perencanaan Pembangunan Nasional</i> , the National Development Planning Agency
BNPB	<i>Badan Nasional Penanggulangan Bencana</i> , National Coordinating Agency for Disaster Management
DITRD LG	Department of Infrastructure, Transport, Regional Development and Local Government
DfID	Department for International Development
DRR	disaster risk reduction
GDP	Gross Domestic Product
EINRIP	Eastern Indonesia National Roads Improvement Project
GPF	Government Partnerships Fund
GTZ	<i>Deutsche Gesellschaft für Technische Zusammenarbeit</i> , German Agency for Technical Cooperation
IAFCP	Indonesia-Australia Forest Carbon Partnership
IALDF	Indonesia Australia Legal Development Facility
IDA	International Development Association
IDU	injecting drug users
IndII	Indonesia Infrastructure Initiative

JPPR	<i>Jaringan Pendidikan Pemilih untuk Rakyat</i> , Indonesian civil society network
KPK	Corruption Eradication Commission
LAPIS	Learning Assistance Program to Islamic Schools
LOGICA	Local Governance and Infrastructure for Communities in Aceh
LKPP	National Public Procurement Agency
MDG	Millennium Development Goal
MMR	maternal mortality rate
MNH	Maternal and Neonatal Health
MORA	Ministry of Religious Affairs
NTB	<i>Nusa Tenggara Barat</i>
NTT	<i>Nusa Tenggara Timur</i>
ODA	Official Development Assistance
ODE	Office of Development Effectiveness
OECD	Organisation for Economic Co-operation and Development
PEA	public expenditure analyses
PNPM	<i>Program Nasional Pemberdayaan Masyarakat</i> , National Community Empowerment Program
QAI	Quality at Implementation reports
REDD	Reducing Emissions from Deforestation and Forest Degradation
SADI	Smallholder Agribusiness Development Initiative
SMERU	Social Monitoring and Early Response Unit
TAMF	Technical Assistance Management Facility
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund

# Executive summary

## Overview

This annual review of the performance of the Indonesia program reports on calendar year 2008 to align with the Government of Indonesia's fiscal year. A new Country Strategy for 2008–13 was launched during the year which provides a single framework for Australia's development assistance and aligns with Indonesia's Medium Term Development Plan 2004–09. The year saw progress in consolidating the achievements of the Australia Indonesia Partnership following its rapid scaling up under the post-tsunami reconstruction and development program.

In consolidating the program, worth half a billion dollars a year, Australia increasingly delivered its support through Indonesian Government systems. While not without its challenges, this approach reflects Indonesia's graduation to middle-income developing country status. Indonesia's economy continued to grow strongly in 2008, recording more than six per cent growth in real Gross Domestic Product (GDP) despite the impact in the last quarter of the global recession. However, 2009 is likely to see the economy hit harder as the more significant second round impacts of the global recession take hold. The Government of Indonesia forecasts that the annual economic growth rate will decrease to between four per cent and 4.5 per cent, but other forecasts are lower.<sup>1</sup> This may slow poverty reduction and put pressure on public expenditure and social protection programs.

The Millennium Development Goals (MDGs) are central to the partnership between the Australian and Indonesian governments as well as to Indonesia's medium-term development goals. In 2008, Indonesia's progress against the MDGs was mixed, with significant disparities between provinces. Improved outcomes in areas such as maternal health remain a significant challenge when services are decentralised and local capacity requires further strengthening. At the national level, Indonesia has reached the target of halving the population living under the international poverty line of US\$1 a day but 35 million people (15.4 per cent) still lived under Indonesia's national poverty line of US\$1.60 a day in 2008 and almost half of the 240-million population lived on less than US\$2 a day. This means large numbers of people remain vulnerable, particularly those living in remote communities.

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<sup>1</sup> The current Asian Development Bank (ADB) and International Monetary Fund (IMF) forecasts are that Indonesia's growth rate will decrease to 3.6 per cent or 3.5 per cent in 2009 respectively.

## Ratings

Objective	Rating	Review against previous rating	Proportion of program expenditure
<b>Education</b>			36%
Improving basic education:			
1. access	Green	Unchanged	
2. governance and	Green	Unchanged	
3. quality.	Amber	Declined	
<b>Economic governance</b>	Green	Unchanged	6%
Improving economic policy and strengthening economic management at central level.			
<b>Democratic and legal governance</b>			4%
Improving capacity, accountability and responsiveness of legal democratic and oversight institutions and processes:			
1. legal reform	Green	Unchanged	
2. electoral support	Green	Unchanged	
3. anti-corruption.	Green	Unchanged	
<b>Sub-national governance</b>	Green	Unchanged	6%
Improving planning and delivery by local authorities and improving capacity of communities to demand greater accountability and better access to basic services.			
<b>Health</b>			7%
Strengthening key elements of national and sub-national health systems:			
1. maternal and child health	Green	Improved	
2. HIV/AIDS and other major diseases in targeted populations	Green	Improved	
3. health governance and policy.	Amber	Unchanged	
<b>Infrastructure</b>			15%
Accelerating infrastructure development:			
1. roads	Amber	Declined	
2. water and sanitation	Green	Unchanged	
3. reduce policy and technical bottlenecks to investment.	Green	Unchanged	
<b>Rural development</b>	Amber	Declined	5%
Promoting rural productivity.			
<b>Environment and climate change</b>	Green	Improved	1%
Piloting innovative ways to reduce carbon emissions.			
<b>Scholarships</b>	Green	Unchanged	12%
Assisting Indonesia to acquire the knowledge, skills and qualifications in priority development areas and foster strong relationships to strengthen the bilateral partnership.			



Objective	Rating	Review against previous rating	Proportion of program expenditure
<b>Disaster management</b>			6%
Responding and reducing vulnerability to disasters, humanitarian needs and complex emergencies:			
1. improving Government of Indonesia capacity to respond to disasters, humanitarian needs and complex emergencies at national and local level	Green	Unchanged	
2. reducing community vulnerability to disasters	Green	Unchanged	
3. maintaining a timely and effective Australian response capacity.	Green	Unchanged	

Notes:

(1) Ratings:

Green	The objective will be fully achieved within the timeframe of the strategy.
Amber	The objective will be partly achieved within the timeframe of the strategy.
Red	The objective is unlikely to be achieved within the timeframe of the strategy.

(2) All ratings in this Annual Program Performance Report (APPR) are against achievement of objectives within the timeframe of the Country Strategy 2008–13. The 2007 APPR rated programs against the draft Country Strategy Performance Assessment Framework. Some minor changes made to the Framework during 2008 are reflected here. Given the size of the scholarships program, AusAID has reported separately on scholarships in this 2008 APPR.

(3) Each objective above includes all AusAID-funded development programs, including those managed by other Australian Government agencies such as the Australian Centre for International Agricultural Research (ACIAR), Treasury and the Department of Finance and Deregulation. In addition, in 2008, an estimated \$30 119 284<sup>2</sup> (or 7.5 per cent) of official Australian development assistance to Indonesia was funded and managed by other government departments or agencies, primarily the Australian Federal Police, ACIAR and the Department of Infrastructure, Transport, Regional Development and Local Government (DITRD LG). DITRD LG's assistance aimed to improve capacity in transport safety and countering threats from transnational crime.

(4) Multi-sector funding accounts for two per cent of program expenditure.

## Major results

While Australia's contribution to Indonesia's development was small in relation to its GDP, the support provided has been effective, targeted and responsive. This support tended to be most successful where AusAID has had long-standing engagement—such as in maternal and neonatal health, HIV/AIDS prevention and water and sanitation—and where the Australian Government (through AusAID and other government departments) has developed close personal linkages including through the scholarships program and with finance and economic ministries. The level of commitment by the Indonesian Government and the priority it accords to particular sectors has also been critical to the success of Australia's programs. For example, strong national leadership and commitment by the Government of Indonesia is driving progress in the education sector. Australia is the lead international partner in the expansion of junior secondary schooling, is meeting funding gaps for school construction to increase access, and is providing technical support to improve education governance. Conversely, progress has been constrained on Australian programs supporting reforms in national health systems and road construction.

Much of Australia's support at sub-national level has been in piloting new ways of delivering support to rural people to increase productivity and livelihoods and to improve local-level governance so as to deliver better health and education services. While AusAID can point to good individual results it is more difficult to judge overall effectiveness and impact (and too early in many cases). Assessments made during the year point to the need to better integrate

<sup>2</sup> This is calendar year 2008 expenditure. In financial year 2008-09, the budget estimate for 'Other ODA' was \$48 406 000.

support within Indonesia's own systems and programs so successful models can be replicated more easily and become self-sustaining. This includes developing better connections between elements of Australia's rural agribusiness and productivity support (research, markets and microfinance); strengthening national health systems to support vertical programs in maternal and neonatal health and HIV/AIDS; and building stronger links between national and district level governance support.

## Major challenges

Both the size of the Indonesia program and its breadth across most sectors continued to present ongoing challenges for managers. The demands on the program to be responsive to both Indonesia's needs and Australian Government interests, for example, makes it difficult to opt out of assistance in specific sectors. Yet, the extent of engagement makes it difficult to build knowledge and engage with Indonesian counterparts at a detailed policy level. AusAID is developing an understanding and knowledge of Indonesian systems and increasingly looking at better ways to use this to build capacity, reduce parallel systems (which create inefficiencies) and increase sustainability. The tension in this is that the program will continue to suffer delays—as it has with road construction—and may be exposed to greater financial risk.

A balance is also needed between delivering more effective development outcomes and retaining an acceptable level of accountability. The increasing use of government systems and shared donor arrangements can make it more difficult to directly account for the use of Australian funds. It will be important to devote resources to adequately monitor joint programs and report on results.

These challenges are becoming more acute as loans under the Australia Indonesia Partnership for Reconstruction and Development (AIPRD) are drawn down. The school and road loans programs are scheduled to end in year 2010 and 2011 respectively.

## Main management consequences

AusAID has identified a body of analytical work that needs to be undertaken to prepare for the 2010 mid-term review of the Country Strategy. A medium-term budget strategy and implementation plan will be critical elements of this as they will rationalise the current program and guide new program development. New program areas are being designed to respond to the global recession, strengthen the knowledge sector and upgrade trade-related aid. Links will be strengthened between the Australian Government's national policy-focused governance work (economic as well as sectoral) and sub-national service-delivery work. Rural productivity support is being reframed so it can be better replicated by the Indonesian Government and scaled up throughout the country. The engagement of a gender adviser in the Country Office has been proposed for 2009 to strengthen the integration of gender equality across the program. Increased attention will be paid to the strategic use and quality of evaluations to help guide programming decisions. This will be particularly important as programs are increasingly delivered through Indonesian Government systems.

The development partnership with Indonesia attracts strong Australian Government and community interest. In 2008, AusAID significantly stepped-up public diplomacy and public affairs activities, but there is room for improvement in how and what is communicated.

AusAID will continue to draw on specialist public affairs advice to look at better ways to communicate initiatives. Clearer messages and briefings about the program will be developed, drawing from AusAID's performance reporting.

# 1 Country performance<sup>3</sup>

Indonesia is now the world's third largest democracy<sup>4</sup> and fourth most populous nation. The country maintained a high degree of stability in 2008, despite volatility in food and fuel prices and the impact of the global recession in the last quarter. The economy continued to grow strongly and recorded more than six per cent annual growth in real GDP. Indonesia graduated from the World Bank's International Development Association of least developed countries to become a middle-income developing country.<sup>5</sup>

In 2009, Indonesia's economy is likely to be hit harder with a decline in trade and the more significant second-round impacts of the global recession. The Government of Indonesia forecasts that the annual economic growth rate will fall to between four per cent and 4.5 per cent, which may slow the decline in poverty rates.<sup>6</sup> Other forecasts are lower<sup>7</sup> and AusAID will monitor impacts on poverty closely throughout the year. The Government of Indonesia has taken proactive steps to mitigate the impacts of the global recession with a revised budget deficit of 2.7 per cent of GDP (up from one per cent) which maintains or increases key elements of public expenditure.<sup>8</sup> It also provides for the expansion of social protection programs including the Government's flagship poverty reduction program, the National Program for Community Empowerment (PNPM—*Program Nasional Pemberdayaan Masyarakat*).

At the national level, Indonesia has already reached the MDG target of halving the population living under the international poverty line of US\$1 a day (MDG 1). However, the Government of Indonesia has calculated its own national poverty line of US\$1.60 a day which factors in the costs of food and other basic items.<sup>9</sup> It considers this more appropriate to Indonesian conditions as a middle-income country with higher living costs. The number of people living below this national poverty line fell from 37 million in 2007 to 35 million (around 15.4 per cent of the population) in 2008. But almost half of the population of 240 million live on US\$2 or

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3 This report uses Indonesian national data, where available.

4 After India and the United States.

5 Indonesia originally graduated from the International Development Association in 1980, then rejoined following the Asia Economic Crisis in 1998.

6 The poverty rate will depend on growth. It will also depend on other distributional factors within growth like the impact on the urban middle class versus the rural poor. If commodity prices keep falling or stay low then the middle class may be most affected while the poor may be no worse off or better off, especially if domestic demand holds up through a combination of consumption and public investment.

7 GDP growth for the first quarter of 2009 was around 4.3 per cent and most estimates have this falling over the next three quarters. The ADB and IMF latest forecasts (June 2009) are that Indonesia's growth rate will decrease to 3.6 or 3.5 per cent in 2009 respectively.

8 Including on education, health and infrastructure.

9 The national poverty rate as calculated by Badan Pusat Statistik Republik, Indonesia's National Statistics Office, is Rp182 636 per person per month. US\$2 a day would be around Rp195 000 a month.

less<sup>10</sup> and this much larger group is vulnerable to falling back into poverty as a consequence of reduced growth prospects.

A key dimension of poverty and MDG progress in Indonesia is the disparity between provinces, reflecting the challenges Indonesia continues to face in implementing its decentralised system of government. While Indonesia is now classified as a middle-income developing country, growth is not evenly spread across the country and many provinces and districts are therefore on par with low-income developing countries. In recognition of this, the geographic focus of Australia's aid program at sub-national level is on the poorer provinces of eastern Indonesia and Aceh.

Indonesia's progress against the MDGs remains mixed. The 2008 data suggests a gradual improvement since 2007<sup>11</sup>, but significant challenges remain. At the national level, Indonesia is on track to reduce child mortality (MDG 4), but in the poorer provinces child mortality will remain high. The country is also on track to achieve universal access to primary schooling (MDG 2) and is making progress towards halving the proportion of people without sustainable access to safe drinking water (MDG 7). Gender equity in access to primary education (MDG 3)<sup>12</sup> has already been achieved. These are significant achievements but Indonesia is unlikely to achieve the target of reducing by three-quarters MDG 5, the maternal mortality ratio (MMR). It is also facing difficulties in reaching MDG targets relating to malnutrition, accessing basic sanitation, reducing the prevalence of HIV/AIDS and tuberculosis, and reversing the loss of environmental resources. A summary of Indonesia's progress against the MDGs is at Annex One.

The special autonomous regions of Aceh and Papua remained relatively stable in 2008. Progress was made in **Aceh** where the peace agreement with the Free Aceh Movement (now the Aceh Transitional Committee) has held, with significant emphasis on concluding post-tsunami reconstruction and rehabilitation. This has been conducive to continued AusAID engagement in Aceh and the beginning of a new program of support to the provincial administration. **Papua** experienced intermittent low-level violence, but the overall security situation remained relatively calm. The positive bilateral relationship between Australia and Indonesia resulted in greater development efforts in Papua.

In 2008 progress was also made on **anti-corruption** with the 2008 Transparency International Corruption Perception Index raising Indonesia's ranking from 143 to 126 out of 180 countries surveyed. The Corruption Eradication Commission (KPK) launched some high-profile investigations of corrupt officials leading to the conviction of a number of senior politicians and bureaucrats, particularly in relation to a scandal involving the Bank of Indonesia. The Commission also introduced what appears to be an impressive anti-corruption education program in Indonesian schools and has restored a level of public confidence in anti-corruption efforts.

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<sup>10</sup> National Development Planning Agency (October 2008), 'Let's Speak Out for MDGs: Achieving the Millennium Development Goals in Indonesia', 2nd edn.

<sup>11</sup> *ibid.*

<sup>12</sup> However, progress against other indicators for MDG 3 is slow. The proportion of women in wage employment in the non-agricultural sector is only 33 per cent and the proportion of seats held by women in the national Parliament is only 11.3 per cent.

## The bilateral relationship and official development assistance

The Australia – Indonesia relationship reached a high point in 2008 with a number of milestones. The signing of the new five-year Australia – Indonesia development partnership and the Lombok security treaty were key developments cementing the relationship. Indonesia played an increasingly active role on global and regional issues in 2008—many aspects of which were in partnership with Australia and helped to strengthen the bilateral relationship around shared concerns. The Prime Minister of Australia and the President of Indonesia announced the establishment of a joint Australia – Indonesia Facility for Disaster Reduction. Climate change, regional trade, multi-faith dialogue and human rights were other significant areas of engagement and dialogue. Indonesia's donation of US\$1 million to help reconstruct the schools in Victoria, Australia, destroyed or damaged by the January 2009 bushfires and help provide assistance with bushfire victim identification demonstrated the increasing closeness and maturity of the relationship.

In 2008, the Australia – Indonesia development partnership was again Australia's largest country program. Australia was also Indonesia's largest grant donor with budget estimates for financial years 2007-08 and 2008-09 of \$458.8 and \$462 million<sup>13</sup> respectively. Disbursements largely matched commitments in calendar year 2008<sup>14</sup> but lagged in the area of infrastructure loan spending. A further \$452.5 million was allocated for Indonesia in Australia's 2009-10 budget. In addition, in 2008 Australia agreed to provide Indonesia with a standby loan of US\$1 billion to ensure the Indonesian Government can finance its 2009 and 2010 budgets if it needs additional resources as a result of the global recession.

In the context of a large middle-income developing country such as Indonesia, aid can play a useful although small role in facilitating the achievement of the MDGs and sustainable poverty reduction. The challenge for Australia and other donors is to engage collectively and strategically with the Government of Indonesia to help build the country's capacity to more effectively use its own resources to address its development challenges and strengthen its progress against the MDGs. Throughout 2008 there was an increased focus on the principles of the Paris Declaration on Aid Effectiveness with Australia playing a lead role with other donors to ensure a harmonised approach in support of Government of Indonesia priorities and systems.

In the first quarter of 2008, Australia participated with 19 other donors in Indonesia's first Paris Declaration Survey. The survey found increased commitment by the Government of Indonesia to assume a stronger leadership role in the design and delivery of official development assistance (ODA). It also found that action was required across all Paris Declaration pillars<sup>15</sup>, particularly to increase donor confidence in using Government of Indonesia procurement and public financial management systems and ensure donors are able to comply with Indonesian regulations to register ODA expenditure. The Indonesia survey

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13 Estimated outcome for 2008-09 is A\$441.9 million—'Budget Australia's International Development Assistance Program: A Good International Citizen', 12 May 2009, p. 71.

14 The Australian financial year runs from 1 July to 30 June. Sectoral expenditure estimates provided in this report for calendar year 2008 have been corrected by AusAID's central Statistics Unit for the second half of the financial year 2007-08 but not yet for the first half of financial year 2008-09. Thus there may still be some adjustments to these estimates.

15 The pillars are ownership, alignment, harmonisation, managing for results and mutual accountability.

report is published on the Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee's website.<sup>16</sup>

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<sup>16</sup> Published at: [http://www.oecd.org/infobycountry/0,3380,en\\_2649\\_15577209\\_1\\_70498\\_119663\\_1\\_1,00.html](http://www.oecd.org/infobycountry/0,3380,en_2649_15577209_1_70498_119663_1_1,00.html)

## 2 What are the results of our aid program?

### Overview

The year was one of consolidation for the Australia Indonesia Partnership. After four years of significant scaling up, when the program grew from \$145 million in 2004 to \$467 million in 2007, the year provided some stability in funding levels and programming, enabling deeper policy engagement. AusAID was able to spend time building relationships with the Government of Indonesia across four priority sectors—education, health, infrastructure and economic governance. In 2008, too, the program effectively concluded the massive reconstruction effort in Aceh. A substantial new joint prime ministerial commitment—the Australia – Indonesia Facility for Disaster Reduction—was also developed this year.

A new Country Strategy was launched in 2008 and the relationship between the two countries continued to grow and mature based on shared regional and international interests and strong people-to-people links. A demonstration of this was the roles played by AusAID and Treasury in supporting Indonesia to develop a credible policy response to the global recession. This is precisely where the Australian program is aiming to add value. Australian efforts have moved away from stand-alone projects into engagement around policy reform and poverty reduction.

In 2008, this approach was exemplified by achievements in education, HIV/AIDS and infrastructure. In education, the 1000<sup>th</sup> school was built under the Basic Education Program, and AusAID's activities continued to support the development of new school management systems giving local communities a greater say in how their schools operate. Activities have also demonstrated how schools can be built so they are accessible by students with physical disabilities. AusAID also strengthened its capacity to use Indonesian Government financial systems—\$200 million of Basic Education Program funds will be channelled directly through Indonesian Government systems over the life of the program (2006–09).

In health, the long-running HIV/AIDS Partnership has influenced the development of a national HIV harm reduction policy and program. Australia has also helped with an avian influenza early warning and response system. In infrastructure, an evaluation by AusAID's Office of Development Effectiveness (ODE) at the end of 2008 found that Australia's long-term support to the water and sanitation sector in partnership with the World Bank had contributed to improving the health of up to 4.6 million people in rural communities.

Australia's successful reconstruction programs in Aceh and Nias were largely concluded during 2008. Australia built infrastructure to a high standard but the contribution to rebuilding capacity in provincial and district health, education and local government service delivery was at least equally as important.<sup>17</sup> In Papua, Australia established strong working

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<sup>17</sup> AusAID (2008), 'AIPRD Review', p. 27.



relationships with national and provincial governments to help address very high rates of poverty and a low-level generalised HIV/AIDS epidemic.

Led by Indonesian Government efforts, international commitments to strengthen aid effectiveness were successfully translated on the ground in Jakarta in the form of the Jakarta Commitment<sup>18</sup>, Indonesia's roadmap for implementing the Paris Declaration. Indonesia drafted the commitment and, with Australian assistance, established an Aid for Development Effectiveness Secretariat in the National Development Planning Agency—*Badan Perencanaan Pembangunan Nasional (BAPPENAS)*—to take it forward.

Also in 2008 Australia contributed to Indonesia's steady progress in fighting corruption. In particular, Australian support helped the KPK to improve its investigation techniques and, through the program, the Anti-Corruption Development Plan was developed and launched.

Two major reviews conducted in 2008 provided independent confirmation of partnership progress. The OECD Development Assistance Committee peer review of the Australian aid program<sup>19</sup> applauded Australia's shift from project modalities, the effectiveness of its devolution program and its humanitarian donorship. The AIPRD review commended Australia for the scale, speed and flexibility of its assistance to Aceh following the tsunami and for the alignment of sector initiatives under the AIPRD with Government of Indonesia national strategies.

These reviews also highlighted areas where progress could be improved. The Development Assistance Committee review found potential for loss of focus through involvement in too many sectors and recommended that Australia remain focused on key sectors to promote greater program coherence. The Review of the Australia Indonesia Partnership for Reconstruction and Development (AIPRD)<sup>20</sup> made recommendations to strengthen governance of the Partnership and improve effectiveness of AIPRD programs. A number of these recommendations have already been adopted.

Progress was also made on strengthening gender equality. Based on its 2007 gender analysis, AusAID's Gender Section identified three Indonesia program initiatives as examples of good practice in achieving gender equality outcomes.<sup>21</sup> Planning and analysis undertaken in 2008 resulted in the decision to engage a gender adviser sometime in 2009 to provide technical advice on further integrating gender equality in programs and to build the capacity and understanding of Country Office staff on gender equality issues, analysis and reporting. A reference book on domestic violence for the Judges of the Religious Courts was launched in July 2008 and new funding of up to \$1.4 million over three years was announced for the National Commission on Violence Against Women (*Komnas Perempuan*) in November.

Program management was a priority in 2008. At the November Australia – Indonesia Ministerial Forum, program governance was streamlined when the bilateral program and the AIPRD were brought back under one oversight body. In AusAID's Jakarta Country Office, new adviser appointments strengthened capacity to engage on policy issues and, overall, the

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18 The Jakarta Commitment calls for donors to increasingly align themselves with Indonesian programs and systems and support Indonesian capacity development objectives and targets within sector plans and thematic strategies. A new partnership paradigm is proposed focusing on increased Indonesian ownership, with donors providing their development assistance to Indonesia based on country demands. Increased harmonisation is also promoted, with an increased focus on program-based or sector-wide approaches, a rationalisation of free-standing trust funds and working together to review progress of development assistance.

19 See [www.oecd.org/dac/peerreviews/australia](http://www.oecd.org/dac/peerreviews/australia)

20 See [http://www.ausaid.gov.au/publications/pubout.cfm?ID=7281\\_1715\\_8601\\_4513\\_1322](http://www.ausaid.gov.au/publications/pubout.cfm?ID=7281_1715_8601_4513_1322)

21 The Local Governance and Infrastructure for Communities in Aceh (LOGICA) program, the Australian Community Development and Civil Society Strengthening (ACCESS) Project and the Indonesia Australia Specialised Training Project Phase III in AusAID 2008—'Gender equality: Annual Thematic Performance Report 2006-07'.

program significantly enhanced its policy engagement with the Government of Indonesia and donor partners. The average size of activities is gradually being increased, simplifying management, and there was a 30 per cent reduction in the number of monitored program activities over the year. Also, Canberra-based program staff now have clearer responsibilities for supporting and informing field operations.

A major program of improvements began in 2008 to strengthen the Partnership's performance orientation. Sector teams produced annual sector plans setting out the rationale and implementation schedules for sector-level investments to identify clearer, more realistic measures of success. A major new training program for Post staff was initiated and Canberra began to make more explicit responsibilities around the evaluation of program activities.

Indonesia is an assertive, capable and confident middle-income democracy. It has strong ambitions to eradicate poverty and to claim a more significant role in global forums. That Indonesia sees Australia as a key partner in this is testament to the credibility of the aid program and its achievements. The direction in which the program is moving—establishing strong policy-based partnerships with the Government of Indonesia across key sectors—will see it become more relevant and effective throughout the Australia Indonesia Partnership.

## Sector results

1. Education: to improve access, governance and quality in basic education, and to improve equity and efficiency

### Ratings

- Access: the objective is on track to be fully achieved within the timeframe<sup>22</sup>
- Governance: the objective is on track to be fully achieved within the timeframe
- Quality: the objective will be partly achieved within the timeframe

### Assessment of results and performance

Australia is the Government of Indonesia's lead international partner in the expansion of junior secondary schooling and has helped fill the financing gap for school construction to achieve access targets. Over three years (2006–09), Australia is financing the construction of 1500 public and 500 Islamic junior secondary schools in poorer and more remote areas of Indonesia which are lacking in education services. This will provide approximately 330 000 additional junior secondary school places in Indonesia.<sup>23</sup>

Indonesia is on track to achieve universal access to primary schooling (MDG 2) by 2015—a significant achievement given there are approximately 43 million children of school age in the country. It has, however, not yet achieved access targets for junior secondary school, and disparities in service provision across regions persist. Gender equity in access to basic education (MDG 3) has been achieved.

During 2008, Australia's assistance concentrated on school construction, improving governance in schools and on local and national level administration. This support accounted

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<sup>22</sup> Ratings are all against the timeframe of the 'Australian Indonesia Partnership Country Strategy 2008–13'.

<sup>23</sup> Mid-term Review (2008) 'Australia Indonesia Education Sector Development', p. 7.

for the largest sectoral proportion of the Indonesia program in 2008, with the majority of support channelled through two programs—the Basic Education Program and the Learning Assistance Program to Islamic Schools (LAPIS). The Basic Education Program is fully aligned with the Government of Indonesia's sector planning and half of Australian funding is delivered through Government of Indonesia systems for community construction of new schools. By using these systems, Australian assistance helped improve capacity in resource allocation, procurement and financial management at district and community levels. This approach was judged to be successful by AusAID management and audit and was reflected in the decision to invest a \$30-million loan underspend in another 60 schools without managing contractor oversight.

As a result of a 2007 AusAID mid-term review, a decision was taken early in 2008 to reduce the number of activities in the **quality** program to better focus on access and governance programs, in line with the Indonesian Government's immediate priorities. The rating of amber for **quality** reflects that the original education quality objectives in the Basic Education Program design will only be partly achieved. However, while the overall quantum of support for education quality was reduced, the program's support for the development and adoption by the Indonesian Government of the Education Quality Assurance and Improvement System and the work to improve quality of education in *madrasah* are significant achievements.

### Key results

As of February 2009, **access** for basic education had significantly improved, with the partial or full construction of 1709 schools (86 per cent of the 2000 target). Of this number, 922 junior secondary schools were already operational (876 public schools and 46 Islamic schools), providing 3549 new classrooms to accommodate 147 760 students in districts with low junior secondary enrolment rates.<sup>24</sup> Over the same period (2007 to February 2009), the Government of Indonesia built 2669 schools with its own resources. Thus 39 per cent of all new junior secondary schools in Indonesia over this period were built with Australian assistance.

Schools have been constructed to standards that optimise the number of school places, facilitate attendance by girls and students with physical disabilities, and are appropriate to local environmental conditions. The school building program also led to improvements in compliance with government regulations (e.g. building codes), infrastructure policy (e.g. complaints handling, asbestos regulation), and the creation of approximately 45 000 jobs for the first half of schools constructed.<sup>25</sup> Furthermore, training has helped communities to understand how to detect and report corruption.

During the year, Australia also contributed to improved **governance and sector policy development**, becoming a significant provider of advice to the Indonesian Government. In national ministries, AusAID strengthened audit capacity and developed online financial reporting and information systems. This—combined with training at other levels of administration—improved accountability, not only in government systems but also in the management and accounting of community grants. In 150 districts (one-third of Indonesia's total), the program strengthened local government capacity to better plan, promote and implement basic services.

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<sup>24</sup> Quality at Implementation Report (2009) 'Basic Education Program (Grants)', pp. 2–3.

<sup>25</sup> *ibid.*, p. 1. To date, 12 710 skilled workers have been engaged on average for three months, and 32 282 unskilled/assistant labourers employed for five to eight months.

As explained earlier, support to improve the **quality** of education was a secondary focus of work during 2008. The national Education Quality Assurance and Improvement System, and support provided through LAPIS to increase the capacity of Islamic universities to upgrade primary and English language teacher skills, contributed to the establishment of national education standards in teacher training, including improvement of teaching methods and attitudes to equal learning opportunities and gender issues. LAPIS has promoted equal access to education for boys and girls by increasing the roles of women and girls in Islamic schools and has promoted the position that Islamic values do not contradict gender-equality principles.

### Factors contributing to or hampering success

There are a number of critical success factors in Australia's engagement in the education sector. Strong national leadership and commitment by the Government of Indonesia is driving reform in the sector, with Australia meeting funding and capacity gaps. The Government of Indonesia has a clear policy framework for the sector and has committed significant levels of its own resources for education. As a result of the trust and credibility established in supporting better basic education, in 2008 Australia was asked to provide analytical services to the Government of Indonesia to assist with the preparation of its next medium-term development plan for education.

The major donors engaged in the sector—Australia, the World Bank, the European Commission and the Netherlands—worked increasingly closely to deliver harmonised support and plan support under the Government of Indonesia's direction.<sup>26</sup> This included a collaborative approach to providing the Indonesian Government with high-quality research and analysis to inform policy decisions; jointly funding experts to work for the Indonesian Government in better coordinating donor support to education; and preparing for jointly developing future support programs with the European Commission. These donors also contributed to the Thematic Education Dialogue established by government as a forum for information sharing and dialogue.

The construction of Islamic schools has proved challenging. This was the result of limited experience of the Ministry of Religious Affairs (MORA) in planning and managing large-scale construction activities, and concerns about eligibility criteria being used by MORA to screen proposals. The AusAID mid-term review also reported that coordination between MORA and the Ministry of National Education on construction activities was difficult.<sup>27</sup>

### Management consequences

During 2008, the number of activities in education reduced to three programs. The successor to the Basic Education Program and LAPIS will make greater use of Government of Indonesia systems and further reduce the number of activities. Program-management staffing will decrease over time by 20 per cent.

The focus during 2009 will be to achieve completion of existing programs and preparations for the next program of support to commence during 2010.

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<sup>26</sup> This is noted in Indonesia's '2008 Survey on Monitoring the Paris Declaration'—published at: [http://www.oecd.org/infobycountry/0,3380,en\\_2649\\_15577209\\_1\\_70498\\_119663\\_1\\_1,00.html](http://www.oecd.org/infobycountry/0,3380,en_2649_15577209_1_70498_119663_1_1,00.html)

<sup>27</sup> 'Australia – Indonesia Education Sector Development Midterm Review' 2008, p. 8.

## Expenditure

Estimated education sector expenditure in 2008 totalled \$142 339 603 (\$142 005 172 AusAID plus \$334 431.75 other government departments). This comprised 36 per cent of the overall Indonesia program.

## 2. Economic governance: to improve economic policy and strengthen economic management at central level

### Rating

- *National level: the objective is on track to be fully achieved within the timeframe*

### Assessment of results and performance

In 2008 Indonesia performed well in consolidating macroeconomic stability, with annual economic growth above six per cent. The country weathered the early impact of the global recession significantly better than it did the 1998-99 financial crisis, due in part to improvements in the Government's debt structure and better regulation of banks. Improvements in tax collection systems have also strengthened Indonesia's finances, with tax revenues in the first 10 months of 2008 almost 50 per cent higher than the equivalent period in 2007.<sup>28</sup>

Australian support in 2008 demonstrated positive results in many of these areas of economic governance. Through its flagship programs, the Technical Assistance Management Facility (TAMF) and the Government Partnerships Fund (GPF), Australia continued to provide flexible targeted support to influence the implementation and management of government policy in taxation, debt management, trade, and financial system stability. At a macro level, this support contributed to the stabilisation and consolidation of the Government of Indonesia's fiscal policy, positioning it well to respond to the global recession. In many sensitive areas of reform the Government turned to Australia for technical assistance, evidence of a strong relationship and high policy engagement at whole-of-government levels.

### Key results

Australian support through 2008 helped Indonesia position itself to withstand the negative impacts of the global recession. An Australian funded, real-time simulation exercise assisted the Government of Indonesia to develop and test early warning systems and crisis management protocols for the Indonesian financial sector—uniquely timed in the middle of global financial system pressure.

Australia continued to support organisational change in the Indonesian Directorate General of Taxation, enabling it to sharpen its focus on generating revenue and modernising its operations. The success of a pilot outbound call centre in reaching non-filing taxpayers and identifying valid refund claims of approximately US\$19 million over six months resulted in a 10-fold expansion of the pilot in October 2008 (financed by TAMF). According to a recent review, the expanded call centre has proven to be a cost-effective way to reach people in such a large and populous country, and it has built taxpayer confidence in the system.<sup>29</sup>

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<sup>28</sup> Indonesian Ministry of Finance.

<sup>29</sup> Technical Support Group, 8th Performance Assessment & Evaluation January 2009, 'Technical Assistance Management Facility—Phase III', pp. 29–32.

Another important outcome of Australian engagement in 2008 was the achievement of systemic change in risk-based supervision of pension funds, which reduced their vulnerability to shocks in the global financial system. A recent mid-term review of the GPF linked the success of this to clear program objectives and strong partner commitment.<sup>30</sup>

Australia has continued to support the Social Monitoring and Early Response Unit (SMERU), a high-quality and independent Indonesian research organisation. In 2008, SMERU undertook a qualitative baseline study on the Government's conditional cash transfer program and an assessment of the Government's 'Rice for the Poor' program. In the context of the global recession and its impacts in Indonesia, the findings of these studies will be timely in increasing knowledge about the effectiveness of the Government's social protection programs and provide a credible evidence-base for assessing longer-term impacts.

### Factors contributing to or hampering success

As a result of high counterpart ownership, Australian support for many key economic reforms is likely to be sustainable.<sup>31</sup> Successful outcomes often resulted from support being positioned in the right place at the right time, with engagement focusing on learning-by-doing and scaling up successful pilot activities.<sup>32</sup> The economic governance program can, however, make greater links with the sub-national program, particularly in the areas of public financial management and improving funds flow mechanisms from the central government to the provinces and districts.

Requests for Australian advice on sensitive reform issues appear to be based on established relationships of trust, responsiveness and flexibility as well as technical capacity. In the case of the GPF, the mid-term review found that strengthening peer-to-peer relationships between counterparts was at least as valuable as the outcomes of the activities.<sup>33</sup> The review also identified a number of factors which determined the effectiveness of support, including the length of agency-to-agency relationship, ministerial and senior-level engagement, and the right mix of inputs and modalities for delivering technical assistance. The review found evidence that placing advisers with language proficiency in Indonesian agencies had a major impact on the effectiveness of the activity.<sup>34</sup>

Aside from demonstrating strong relationship-building outcomes however, it is difficult to be confident about the specific contribution of the GPF or the likely sustainability of the reform activities being addressed.<sup>35</sup> Supporting Australian agencies to articulate outcomes and strategies for achieving them should be a priority in strengthening monitoring and evaluation systems.<sup>36</sup> Future approaches for the GPF should also focus on shifting the emphasis from individual capacity building to institutional strengthening and policy implementation.

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30 Mid-term Review (2008) 'Government Partnerships Fund', p. 34.

31 Quality at Implementation Report (2009) 'Technical Assistance Management Facility Phase III', p. 3.

32 *ibid*, p. 4.

33 Mid-term Review (2008) 'Government Partnerships Fund', iv.

34 *ibid*, v.

35 *ibid*, iv.

36 *ibid*, p. 16.

## Expenditure

Estimated economic governance sector expenditure in 2008 totalled \$21 996 244 (\$21 941 706 AusAID plus \$54 538 other government departments). This comprised six per cent of the overall Indonesia program.

### 3. Democratic and legal governance: to improve capacity, accountability and responsiveness of legal democratic and oversight institutions and processes

## Ratings

- *Legal reform: the objective is on track to be fully achieved within the timeframe*
- *Electoral support: the objective is on track to be fully achieved within the timeframe*
- *Anti-corruption: the objective is on track to be fully achieved within the timeframe*

## Assessment of results and performance

Indonesia's progress toward improving democratic and legal governance in 2008 was mixed. While there has been significant progress in reducing the backlog of court cases and providing greater transparency in information, there remains a lack of confidence in the judiciary within the public at large. Similarly, there is a continuing public perception that key democratic institutions such as the national and regional legislatures have underperformed. More positively, the performance of the KPK, a key accountability institution, was impressive with a 100 per cent conviction rate in 2008, and efforts to strengthen Indonesian public procurement received a major boost with the establishment of the National Public Procurement Agency (LKPP).

Despite weaknesses in the legal sector, Australia continued its support to Indonesia's court reforms and the KPK. Australia is among the three largest donors to the sector, and is respected by the Indonesian Government as responsive and flexible to its needs.<sup>37</sup> In 2008, Australia assisted Indonesia's efforts to improve the administration of the 2009 national and Presidential elections and increase community participation in the electoral process.

## Key results

In the legal sector, Australian support increased access for marginalised groups to Islamic family law courts and contributed to an enhanced commitment by the Supreme Court to publish judicial decisions. Support through the Indonesia Australia Legal Development Facility (IALDF) assisted the Supreme Court to reduce its case backlog from more than 10 000 in August 2006 to approximately 5000 by the end of 2008.<sup>38</sup> Australia also contributed to improved judicial transparency through the publication of more than 12 000 cases on the Internet when previously no court decisions were publicly available. Australia also supported the Religious Courts to negotiate a 30-fold increase (approximately A\$6 million) of additional government budget for fee-waived cases and circuit courts. By mid-2009, this had resulted in more than 300 cases for poor people being heard on a waived-fee basis and more than 1000 circuit court sessions being held to hear cases in remote

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<sup>37</sup> Quality at Implementation Report (2009) 'Legal Development Facility', p. 2.

<sup>38</sup> Judicial Reform Team Office, Supreme Court of Indonesia.



areas.<sup>39</sup> Australia also supported the launch of a reference book on domestic violence by the National Commission on Violence Against Women, which provides practical guidelines and a legal basis for action by judges to deal with domestic violence-related cases.<sup>40</sup>

Australia continued its support to the KPK in 2008, a year that saw the Commission process 46 cases (compared to 27 in 2007). The KPK maintained its 100 per cent conviction rate, including of a number of senior politicians and bureaucrats, and recovered US\$76.5 million in state funds. Australian Government-provided training in surveillance and investigation techniques assisted the KPK to achieve these results. Australia also supported the KPK's continued work on corruption prevention, such as through civil service reform and preventing parliamentary corruption in the long term by recommending changes to existing laws that encourage and facilitate corruption among politicians and government officials. As the lead donor to the recently established LKPP, AusAID also supported the transparent and merit-based recruitment of the first intake of 80 staff.<sup>41</sup>

In 2008, Australian assistance contributed to improving administration by the General Election Commission of the national election and supported local election processes as a means to consolidate democracy. The first round of direct elections across Indonesia for mayors and governors, replacing a system of appointed officials, continued throughout 2008. As a result, 40 per cent of incumbents who ran for re-election were voted out, suggesting that citizens are holding government officials more accountable for their election promises.<sup>42</sup>

Electoral assistance also funded large-scale, election-day observation by *Jaringan Pendidikan Pilih untuk Rakyat* (JPPR), the Indonesian civil society network. The network successfully observed most local elections through deploying approximately 68 000 observers since 2005. An April 2008 review by AusAID found the JPPR network to be a significant accomplishment in civil society development and one with enormous potential as a positive agent for democratic change.<sup>43</sup>

### Factors contributing to or hampering success

The unique long-term relationship between the Australian and Indonesian courts has underpinned Australia's contributions to achievements in the legal sector. The flexible and responsive approach of the IALDF, and its support for partnerships between civil society organisations and state institutions were enabling factors for ownership of activities and contributed toward institutional sustainability.<sup>44</sup> However, institutional reform continues to be largely contingent on key individuals, and progress is hampered by systemic obstacles (such as corruption), the need to broaden the skills sets of Indonesian Government counterparts and the lack of an overall government justice sector reform strategy.

With electoral assistance, support to electoral monitoring at local levels could be improved by more strategic selection of the sites in greatest need of observers and strengthening the capacity of the JPPR to systematically collect basic election-day data such as the number of polling stations or problems with voter registration.<sup>45</sup>

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39 *ibid.*

40 Quality at Implementation Report (2009) 'Legal Development Facility', p. 3.

41 Quality at Implementation Report (2009) 'Indonesia Strengthening Public Procurement Program', p. 2.

42 AusAID (2008) 'Local Elections Support Programs Review and Scoping Mission', p. 1.

43 *ibid.*, p. 2.

44 Quality at Implementation Report (2009) 'Legal Development Facility', p. 2.

45 AusAID (2008) 'Local Elections Support Programs Review and Scoping Mission', p. 2.



## Expenditure

Estimated legal and democratic governance sector expenditure in 2008 totalled \$16 638 829 (\$10 449 271 AusAID plus \$6 238 893 other government departments). This comprised four per cent of the overall Indonesia program.

### 4. Sub-national governance: improving planning and delivery by local authorities and improving capacity of communities to demand greater accountability and better access to services

## Rating

- *Sub-national governance: the objective is on track to be fully achieved within the timeframe*

## Assessment of results and performance

Under decentralisation, increased responsibility for planning, budgeting and delivering services rests with district governments. This accounts for approximately 40 per cent of public expenditure in Indonesia. Quality and access to basic services within and between districts is uneven and depends on the capacity of district governments. Progressing key reforms at the sub-national level has been difficult. Greater progress requires improved national-level direction and budget flexibility as well as stronger local decision making on allocating and using public funds.

Australian support includes several programs which are successfully piloting ways to strengthen district-level governance and gain government support for service-delivery reform initiatives. Greater attention is needed to link Australian support for public financial management at the national level with sub-national service delivery to improve budget execution.<sup>46</sup>

In 2008 AusAID moved to strengthen the coherence of its sub-national support, including creating greater links between Indonesian Government programs, such as the PNPM, and consolidating current programs. This will help to integrate successfully piloted district reforms more broadly within Indonesian systems and ensure their sustainability.

## Key results

Australian assistance helped build the capacity of sub-national governments to improve their planning and budget cycles, including tracking expenditure, which is critical to improving service delivery. The Local Governance and Infrastructure for Communities in Aceh (LOGICA) program, supporting restoration of local governance and infrastructure following the tsunami, demonstrated progress in initiating improved service delivery reforms at sub-district and district levels. Key outcomes included the implementation of a Single Window Service—providing approximately 20 services by local government through one ‘window’—in 10 sub-district offices, and service delivery reforms in community health centres in three sub-districts.<sup>47</sup> As a model, the Single Window Service has proven to be replicable and national guidelines have now been adopted by the Ministry of Home Affairs to this end,

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<sup>46</sup> Decentralisation Support Facility (2008) ‘The Impact of Decentralization on Subnational Government Fiscal Slack in Indonesia’, pp. 2–3.

<sup>47</sup> Independent Completion Report (2009) LOGICA, viii.

multiplying the impact of Australian assistance through the Aceh program more widely across Indonesia.

In Nusa Tenggara Timur (NTT), public expenditure analyses (PEA) were undertaken at district and provincial levels, forming the basis for the production of strategy and medium-term development plans. With additional Australian support for planning and budgeting, these processes have influenced the way government agencies develop their budgets and align them with provincial priorities.<sup>48</sup> However, a recent AusAID mid-term review of the Australia Nusa Tenggara Assistance for Regional Autonomy (ANTARA) program raised concerns about the lack of local government involvement in PEA data collection, resulting in low ownership of the broader capacity-development program.<sup>49</sup>

Australian support also built the capacity of communities and civil society to demand better governance and ensure government responsiveness to the needs of the poor. The Australian Community Development and Civil Society Strengthening Scheme (ACCESS) supported a community-led assessment and planning process which enabled community members—women in particular—to articulate priority development needs with their local governments. As a result, many interested local governments now use data generated from this process to more effectively target resources to the poor.<sup>50</sup> Capacity-building support has also empowered civil society organisations to advocate community needs to policy makers in local government.

### Factors contributing to or hampering success

Delivering support at the sub-national level in Indonesia is challenging. Evidence suggests that the successes of LOGICA, ACCESS and ANTARA are based on collaborative design processes and the excellent working relationships maintained between all key stakeholders. All three programs were effective in mainstreaming gender equality and empowering women, resulting in greater involvement of women in decision making, equal employment opportunities and improvements in household gender relations.<sup>51</sup>

Factors hampering greater progress include:

1. a lack of coherence in government reform priorities, including regulatory frameworks for use of funds
2. the sheer scale of decentralisation with sub-national governments managing around 40 per cent of public funds (up from 12 per cent in the mid-1990s) and limited local capacity to manage these funds
3. political will on the part of local governments to implement reforms
4. a lack of clarity in the role of provincial government vis-à-vis district governments
5. the challenges arising from the large special autonomy funds going to Papua and Aceh.

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48 Progress Report (November 2008 to April 2009) ANTARA, pp. 7–9.

49 Mid-term Review (2008) ANTARA.

50 Independent Completion Report (2008) ACCESS Phase 1.

51 Progress Report (November 2008 to April 2009) ANTARA, pp. 7–9.

51 Mid-term Review (2008) ANTARA.

51 Independent Completion Report (2008) ACCESS Phase 1.

51 *ibid.*, p. 14; Independent Completion Report (2009) LOGICA, p. 23; Mid-term Review (2008) ANTARA, p. 9.

## Management consequences

AusAID's ongoing assessment of its governance program in 2008 identified a need for greater coherence in its sub-national activities and better links between sub-national programs and national programs. This should improve AusAID's effectiveness by supporting government reforms and helping to fill critical skills gaps more strategically. To address these needs, AusAID established a new sub-national governance unit in December 2008 and is developing a sub-national governance framework. This includes proposing a more consolidated relationship with the Ministry of Home Affairs, recognising that it has oversight responsibility for decentralisation in Indonesia.

## Expenditure

Estimated sub-national governance sector expenditure in 2008 totalled \$22 399 147 (\$22 399 147 AusAID). This comprised six per cent of the overall Indonesia program.<sup>52</sup>

5. Health: strengthening key elements of national and sub-national health systems (maternal and child health, HIV and other major diseases in targeted populations, and health system strengthening)

## Ratings

- *Maternal, child and neonatal health: the objective is on track to be fully achieved within the timeframe*
- *HIV, avian influenza and other major diseases: the objective is on track to be fully achieved within the timeframe*
- *Health systems strengthening: the objective will be partly achieved within the timeframe*

## Assessment of results and performance

Large disparities exist between regions and income groups in health status and the capacity of district health authorities to deliver effective health services. While at the national level Indonesia is likely to achieve the MDG target for child mortality, in poorer provinces child mortality will remain high. Australia's health assistance is targeted at maternal and child health in the poorer provinces of eastern Indonesia as well as HIV. Without long-term support, Indonesia is unlikely to achieve the MDG targets for reducing maternal mortality<sup>53</sup> or halting and reversing the spread of HIV/AIDS.<sup>54</sup>

Avian influenza was first identified in Indonesia in late 2003 and has spread rapidly in poultry throughout the country. Australia has assisted Indonesia with human surveillance and response<sup>55</sup> and with controlling the disease in poultry. This has positioned Indonesia to better respond to the current threat of H1N1 influenza (swine flu). Australia is also collaborating with the Government of Indonesia to strengthen its health system to meet the needs of such a large,

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<sup>52</sup> Although ANTARA is included under sub-national governance expenditure, its program also contributes to rural development.

<sup>53</sup> The Government of Indonesia estimates an overall current MMR of 307 per 100 000 births. The poorer provinces of eastern Indonesia are worse with MMR estimates for Papua (1116), NTT (554) and Nusa Tenggara Barat (NTB) (397). The country is unlikely to reach the MDG target of 102 per 100 000 births by 2015.

<sup>54</sup> While the overall prevalence of HIV in adults in Indonesia is 0.22 per cent, the epidemic is growing rapidly, particularly in the provinces of Papua and West Papua where it is approximately 2.4 per cent and a generalised epidemic.

<sup>55</sup> Currently, Indonesia has had 142 human cases with 115 deaths, more than twice as many cases as any other country.

complex and decentralised country. The global recession adds greater urgency to this work because with increased poverty the number of people needing protection from the financial impact of health care costs will increase.

### Key results

A four-year program of assistance for Maternal and Neonatal Health (MNH) was launched in NTT to assist district governments to implement the Government of Indonesia's own Making Pregnancy Safer strategy. Early results are increased clinical skills of health workers and increased registration of pregnant women with midwives to have assisted deliveries. Increasing skilled attendance at birth is a key strategy for reducing maternal and neonatal mortality and a proxy indicator for reducing mortality rates.

The HIV/AIDS Partnership has drawn on Australian technical expertise in HIV prevention and harm-reduction approaches to injecting drug use to influence the development of national harm-reduction policy and programs in Indonesia. In 2008, support for female injecting drug users (IDUs) and female partners of male IDUs was substantially improved as a result of Australian technical support.<sup>56</sup> This is especially important because there is not yet enough data, including population estimates, to conduct a detailed analysis of program reach to female IDUs. Under the Partnership, provincial governments are assuming increasing responsibility for funding harm-reduction activities. Jakarta has led the way and is now providing more than 70 per cent of the budget for implementation of a harm-reduction program for drug users in the province which will enhance sustainable outcomes. The partnership also supported the procurement of paediatric fixed-dose combination anti-retrovirals, supported by treatment guidelines and training. This means that for the first time in Indonesia, with support from Australia, infants and children with HIV have access to appropriate and effective treatment.

In 2008, with Australia's support, an avian influenza early warning and response system was introduced for human surveillance and response. Animal surveillance was also strengthened and in South Sulawesi, where the disease is endemic, a provincial operational plan was implemented targeting the poultry industry, markets and villages. Improved laboratory diagnostic capacity was confirmed through external audit.<sup>57</sup>

Australia's support for strengthening health systems is increasing with a focus on health financing, which directly impacts on the poor. In 2008 substantial work was undertaken to build government systems to collect and analyse data on the sources of health funding and expenditure. Nationally endorsed guidelines for institutionalising District Health Accounts were endorsed by the Government of Indonesia for use throughout the country. Recommendations of a review of sub-national health insurance programs were also endorsed and the Indonesian Mortality Registration System was expanded to 12 districts in five provinces.<sup>58</sup>

Australia worked closely with the Government of Indonesia, the World Bank, the ADB and the German Agency for Technical Cooperation, *Deutsche Gesellschaft für Technische Zusammenarbeit* (GTZ), in contributing to the 2008 Health Public Expenditure Review and ongoing Health Sector Review.<sup>59</sup> The Health Sector Review will inform the development of

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<sup>56</sup> Quality at Implementation Report (2009) 'Australia-Indonesia Partnership for HIV', p. 4.

<sup>57</sup> Quality at Implementation Report (2009) 'Pandemic Influenza and Emerging Infectious Disease Prevention and Preparedness', p. 1.

<sup>58</sup> Sector Report—Health (2008).

<sup>59</sup> *ibid.*

Indonesia's next medium-term development plan. AusAID also provided technical support for health financing and health workforce reform as part of the ADB's loan program aimed at accelerating the achievement of the MDGs.

Indonesia has the highest rate of blindness per capita in Southeast Asia and estimates suggest that vision impairment is Indonesia's leading cause of disability.<sup>60</sup> A new phase of assistance building on previous support for the Bali Eye Hospital will commence in 2009 as part of the Australian Government's commitment to address avoidable blindness and disability.

### Factors contributing to or hampering success

Australia has been providing support for maternal and child health and HIV in Indonesia for more than a decade. Throughout this time, assistance has evolved from individual projects to direct support for Government of Indonesia policies and programs and Australia has developed strong relationships with implementation partners. These factors, together with strong Government of Indonesia support, have contributed to the positive results achieved in these programs.

Health systems strengthening and avian influenza are more recent areas of engagement. Despite the progress noted earlier, greater Government of Indonesia engagement at the strategic level would enhance success.

A defining feature of AusAID's health initiatives is the strengthening of, and progressive use of, Government of Indonesia systems for program delivery and monitoring. Building relationships between partners and working through government systems is extremely time intensive and must be factored into program design, implementation and expectations.

### Management consequences

The health program continued to contribute to—and benefit from—the development of AusAID's broader knowledge base and expertise on working through government systems. Decisions will be made in 2009 on the timing and scale of the proposed geographic expansion of the MNH program in eastern Indonesia. The HIV/AIDS Partnership will assess the implications of Australia's new international development strategy for HIV<sup>61</sup> for the Indonesia program. Current avian influenza activities are scheduled to be completed in June 2010. Work on a new design for a comprehensive emerging infectious-diseases program will shortly commence, subject to Government of Indonesia endorsement.

Partnering with Indonesia to strengthen its health systems at the national and sub-national level is arguably the most important area of work as it underpins progress on all health-related MDGs. AusAID is positioning itself to increase support when there is greater prioritisation of health reforms by the Government of Indonesia and implementation support.

### Expenditure

Estimated health sector expenditure in 2008 totalled \$29 567 905 (\$28 839 529 AusAID plus \$728 376 other government departments). This comprised seven per cent of the overall Indonesia program.

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<sup>60</sup> The Chair of the National Commission on Sight Problems and Blindness (2007). An estimated 2.9 million Indonesians, or 1.5 per cent of the population, suffer from vision impairment and an estimated 88.5 million, or 36 per cent of the population, are affected by refractive error. Around 60 per cent of the total affected has cataracts which can be treated by surgery and 27 per cent of cataract sufferers are under 55 years.

<sup>61</sup> AusAID (2009) 'Intensifying the Response: Halting the Spread of HIV'.

## 6. Infrastructure: accelerating infrastructure development (roads, water and sanitation, reducing policy and technical bottlenecks to investment)

### Ratings

- *Roads: the objective will be partly achieved within the timeframe*
- *Water and sanitation: the objective is on track to be fully achieved within the timeframe*
- *Reducing policy and technical bottlenecks to investment: the objective is on track to be fully achieved within the timeframe*

### Assessment of results and performance

Poverty reduction and development gains in Indonesia are strongly linked to investments in infrastructure. The Indonesian Government made some significant commitments in 2008, including increasing expenditure on national roads and rail and implementing a national water and sanitation policy. Indonesia has already exceeded its national MDG target of 65 per cent of the population having access to basic sanitation with 69.3 per cent coverage, although urban coverage (81.8 per cent) is ahead of rural coverage (60 per cent). Sanitation coverage in poor areas is lower still, but rural coverage is now on track to achieve the MDG target. However the infrastructure sector is still underperforming with low levels of private investment, a lack of development funds and low government capacity to prepare bankable projects.

Australia is one of the largest bilateral infrastructure donors in Indonesia and works closely with multilateral agencies in the sector. During 2008, Australia's assistance to infrastructure was consolidated into three program areas: improving national roads and bridges; increasing access to water supply and sanitation; and reducing policy and technical bottlenecks to investment. Support to improving national roads and bridges remained focused on ensuring designs were adequately prepared, with road and public investment projects expected to be rolled out in 2009-10. A recent evaluation by AusAID's ODE found the Agency's support to water supply and sanitation over the past decade has been strategic, flexible and appropriate, resulting in increased access to piped-water supply and improved sector coordination at national and sub-national levels.<sup>62</sup>

### Key results

By the end of 2008, 11 out of 24 road and bridge projects were designed and ready for tendering and construction. Although progress on construction was slower than expected, it was still ahead of comparable programs and the completion of designs and commencement of awarding of contracts were significant achievements. Australian support also trained more than 50 Indonesian engineers in 2008, in advanced engineering design to meet international standards.

The ODE evaluation found, as of 30 September 2008, that an additional 4.6 million Indonesians have accessed improved water supply as a result of the Second Water and Sanitation for Low Income Communities Project (2004–10) financed by the World Bank, the Indonesian Government and local beneficiaries.<sup>63</sup> AusAID has made a strategic but highly

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<sup>62</sup> Office of Development Effectiveness (2009) 'Independent Evaluation of Australian Aid to Water Supply and Sanitation Services: Indonesia Country Working Paper', xi.

<sup>63</sup> *ibid.* p. 24.

significant contribution to the results of this project by providing advisory support for implementation and policy development. Australian support also enhanced national and local government capacity to coordinate the infrastructure sector and implement a national sector policy.

Water supply services provided by AusAID-supported projects are highly cost effective compared to international standards.<sup>64</sup> While there has been less focus on sanitation, the Government of Indonesia has mainstreamed and begun to replicate the innovative community-led total sanitation approach in an attempt to achieve open defecation-free communities. Only 12 per cent of the 547 participating villages have achieved this so far.<sup>65</sup>

### Factors contributing to or hampering success

Progress on roads has been slow due to consistent delays in securing land and the complex processes of engaging with government systems to ensure road quality and accountable use of funds. Early timetables for road construction were overambitious and have had to be adjusted.

In water supply and sanitation, consistent Australian support over the past 11 years has been crucial for enabling AusAID to take advantage of new opportunities and establish the relationships required to influence a crowded donor sector. Long-term engagement has allowed support to be provided in line with the Indonesian Government's pace and objectives, resulting in government leadership and ownership of the AusAID-supported projects at the national level.<sup>66</sup>

Partnerships have also been crucial to success in the water supply and sanitation sector. Partnering with the World Bank has improved overall effectiveness, resulting in continuity, credibility and expertise, and links to international research and information networks. These projects have also made good use of national expertise and used international technical assistance sparingly.<sup>67</sup>

At the sub-national level, there has been less success in integrating effective water supply and sanitation approaches into government systems. Relatively few district level working groups are operating, and those that are suffer from high staff turnover and limited capacity. There are no strong incentives for districts to ensure working groups are effective.<sup>68</sup>

### Management consequences

Comprehensive engagement with government agencies and key stakeholders is critical to get the full benefits of Australia's investment in the sector. The Indonesia Infrastructure Initiative (IndII) has been slow to start but the Board of IndII is expected to be the springboard for continuing work in the sector and for reducing policy and technical bottlenecks to investment. Sub-sector technical groups will drive investment and support the development of government infrastructure development plans for the next five years. This will include considering post-roads options for major investment.

While Australian assistance to water and sanitation has predominantly been in rural areas, the program will broaden to meet urban water and wastewater needs and support Indonesia's

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64 *ibid.* The evaluation found that the average cost of rural water supply is less than US\$15 per person, which indicates a cost-efficient delivery compared to most other countries in the region.

65 *ibid.*

66 *ibid.*

67 *ibid.*

68 *ibid.*



commitment to improving water infrastructure for urban communities over the next five years and strengthening the viability and efficiency of water utilities.

### Expenditure

Estimated expenditure on infrastructure in 2008 totalled \$59 311 753.65 (\$46 641 671 AusAID plus \$12 670 082 other government departments). This comprised 15 per cent of the overall Indonesia program.

## 7. Rural development: promoting rural productivity

### Rating

- *Rural productivity: the objective will be partly achieved within the timeframe.*

### Assessment of results and performance

More than half of Indonesia's poor live in rural areas and many rely on agriculture for their livelihoods. Indonesian data shows that the agricultural sector remains vital to economic growth, despite declining from 15.2 per cent of GDP in 2003 to 12.9 per cent in 2006.<sup>69</sup>

Australia is investing in improving rural productivity in a number of areas, with support delivered through ACIAR, the ANTARA program and the Smallholder Agribusiness Development Initiative (SADI).

As the major program for rural development, SADI aims to reduce rural poverty in eastern Indonesia by developing and testing a model that links poor smallholders to agricultural markets, which can then be replicated more widely across Indonesia. A recent AusAID mid-term review found that SADI has contributed to cases of agribusiness practice change, demonstrated impact on farmers where they have been linked to new market opportunities, and fostered a substantial ongoing program of adaptive research. Although it is too early to assess SADI's broader impact, the review found that unless structural issues within the program are resolved, its innovative potential as a sustainable and replicable model is unlikely to be realised.<sup>70</sup>

### Key results

The mid-term review of SADI found the program is reaching approximately 14 000 farmers and showing signs of impact—increasing the volume of production, productivity and returns in the peanut and cattle sectors.<sup>71</sup> Farmers in eastern Indonesia now have greater access to markets through links with large companies and improved marketing skills. In West Lombok, for example, 3500 farmers are guaranteed prices with Garuda Foods.<sup>72</sup>

Support through ANTARA has also delivered important gains in rural productivity. Improvements in agricultural techniques have been used by 342 farmer households in NTT, resulting in an increase in production of legumes by 0.7 tonnes per hectare.<sup>73</sup> Approximately

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69 Bank of Indonesia (January 2008) 'Indonesian Economic Outlook 2008–2012: ASEAN Economic Integration and the National Economic Outlook', p. 12.

70 Mid-term Review (2009) SADI Phase 1, Executive Summary.

71 *ibid.*, p. 6.

72 Semi-Annual Progress Report (January to June 2008) SADI, vi.

73 Quality-at-Implementation (2009) ANTARA p. 1.



1000 farmers who joined farmer associations in NTT are receiving 20 per cent to 35 per cent higher farm gate prices.

ACIAR and Indonesian research agencies have undertaken market-oriented adaptive research activities leading to adoption of new technologies. Early outcomes reported in 2008 include a 15 per cent reduction in water usage in irrigated rice fields through better timing of irrigation, and selected cocoa clonal materials being used in more than 200 farm nurseries in Sulawesi, providing grafted seedlings for revitalisation of the cocoa industry.<sup>74</sup>

### Factors contributing to or hampering success

Australian support is aligned with the Indonesian Government's programs in the sector, including in four of the Ministry of Agriculture's five priority commodities (rice, beef, maize and sugarcane). In some cases, activities have been delivered to positive effect by Indonesian Government agencies using their own financial systems. Where the key components of the SADI model have been combined, there is evidence of the kinds of impact that can be achieved (such as the case of Garuda Foods in the peanut sector), providing some confidence about SADI's potential.<sup>75</sup>

However, SADI has not been able to bring these components together consistently, and therefore has not been able to test the model effectively. Part of the problem is that although each component has well-defined objectives and monitoring and evaluation systems, there is no overarching strategy for integrating them. Another part of the problem, according to the mid-term review, is that SADI's interventions tend to be scattered, loosely connected and insufficiently focused on the institutional changes needed to make the model work. This is a result of individual components having been designed and implemented in different timeframes.<sup>76</sup>

Gender equality has not yet been formally integrated under SADI. The majority of the recommendations made by an AusAID gender adviser during implementation have not been realised, reflecting the need to incorporate approaches to gender equity in the design phase. The program has also yet to analyse gender roles in agribusiness, consider potential gender impacts and lacks a gender-sensitive monitoring and evaluation system. These are crucial omissions given the evidence that some SADI activities may indeed be increasing the workload for women.<sup>77</sup>

### Management consequences

Although the SADI and ANTARA mid-term reviews recommended future phases, these were conditional on significant re-adjustments to the programs. In 2009, AusAID will, as a result, review its approach in the rural development sector. Greater attention is needed to consolidate links between relevant Australian programs at the sub-national level and in exploring opportunities to further support the Indonesian Government's social protection measures and long-term approach to rural development.

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74 ACIAR – SADI reports.

75 Mid-term Review (2009) SADI Phase 1, p. 6.

76 *ibid*, Executive Summary and p. 7.

77 *ibid*, p. 18.

## Expenditure

Estimated expenditure on rural development in 2008 totalled \$20 298 216 (\$15 323 268 AusAID plus \$4 974 948 other government departments<sup>78</sup>). This comprised five per cent of the overall Indonesia program.

## 8. Environment and climate change: piloting innovative ways to reduce carbon emissions

### Rating

- *The objective is on track to be fully achieved within the timeframe*

### Assessment of results and performance

Indonesia continues to face significant barriers to achieving the MDG for environment and climate change, exemplified by decreases in forest cover (from 60 per cent in 1990 to 49.9 per cent in 2007) and steadily rising carbon dioxide emissions. After withdrawing from the forestry sub-sector in 2004, Australia's re-engagement in the environment sector in 2008 focused on designing activities for implementation from 2009 to 2012 and building a close partnership with Indonesia, most notably through establishing the Indonesia-Australia Forest Carbon Partnership (IAFCP). On both fronts Australian support has been successful in a short period of time.

### Key results

In 2008, Australia established a Jakarta-based environment and climate change team staffed with high-quality technical expertise. This was a critical factor in Australia's success in building a close working relationship with Indonesia on developing effective responses to climate change. This was illustrated during the reporting year by the joint Australia – Indonesia submission on Reducing Emissions from Deforestation and Forest Degradation (REDD), to the December 2008 United Nations Framework Convention on Climate Change Conference of Parties 14 (UNFCCC COP14), and the joint presentation of lessons learned relating to the preparation of the first REDD demonstration activities. This process showcased positive cooperation between a developed and developing country in the sector in an international arena, and provided a sound basis for improved cooperation.

Agreement was also reached at the Australia – Indonesia Ministerial Forum in November 2008 on the *Roadmap for Access to International Carbon Markets* and to develop a second REDD demonstration activity under the IAFCP.

## Expenditure

Estimated expenditure on the environment and climate change sector in 2008 totalled \$6 134 918 (\$3 409 718 AusAID plus \$2 650 627<sup>79</sup> other government departments). This comprised two per cent of the overall Indonesia program.

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<sup>78</sup> This includes ACIAR expenditure of \$4 398 737 on rural development from its own ODA allocation.

<sup>79</sup> This includes ACIAR expenditure of \$2 230 339 on environment and natural resources management from its own ODA allocation.

## 9. Scholarships: assisting Indonesia to acquire the knowledge, skills and qualifications in priority development areas and foster strong relationships to strengthen the bilateral partnership

### Rating

- *The objective is on track to be fully achieved within the timeframe*

### Assessment of results and performance

The scholarships program supports Indonesia's human resource development and closer people-to-people links between Indonesia and Australia. Priorities are agreed to annually by the governments of Australia and Indonesia within the framework of the Country Strategy. Fifty per cent of scholarships are awarded to women.

Australia's scholarships program is the largest such program in Indonesia. It has a high profile and strong political support in both countries. It provides important professional and personal development opportunities for Indonesians with benefits at the individual level including upgraded qualifications and developed leadership skills. At the organisational level, benefits include up-skilled workforces and a cadre of leaders. More broadly, benefits include a strengthened bilateral relationship, through the strong bonds that have been created and fostered between Indonesians and Australians. Alumni include numerous high-profile and influential Indonesians, and there is evidence that alumni return with a positive perception of Australia.

### Key results

In 2008, AusAID provided 340 new scholarships for Indonesian students to study in Australia and ongoing scholarships for more than 800 Indonesian students currently studying in Australia. The breakdown of the scholarships in 2008 was:

- > Australian Development Scholarships: 300 new postgraduate awards and 622 ongoing. The sector breakdown of new awards was natural resource management/climate change (22); economics (34); infrastructure (56); health (46); education (44); legal and democratic (34); local government and public financial management (34); disaster response (2); and transport safety and transnational crime (28).
- > AIPRD Australian Partnership Scholarships: at the end of 2008, 428 awardees had completed their studies and 172 remain ongoing. These 600 awards were provided under the AIPRD to contribute to reconstruction and development. Priority sectors are economic governance, education and public sector management.
- > Australian Leadership Awards Scholarships: 28 new awards (including four Allison Sudradjat Scholarship awardees) and 54 ongoing.
- > Australian Leadership Awards Fellowships: 12 new awards.

In 2008, the six inaugural winners of the prestigious Allison Sudradjat Scholarships were announced, including four from Indonesia. These scholarships honour the memory of Allison Sudradjat, the former head of the Australian aid program in Indonesia whose life was tragically cut short in a plane crash in Indonesia in March 2007. Awardees were selected from among the scholars receiving Australian Leadership Awards for postgraduate study in Australia. Scholars participate in a leadership development program and receive additional funding for research or a professional work placement.

In 2008, the Australian Embassy in Jakarta strengthened the alumni network and identified alumni well positioned to contribute to Indonesia's development and bilateral engagement with Australia. Past Australian alumni include the Governor of the Bank of Indonesia, Dr Boediono, and the Minister for Research and Technology, Dr Kusmayanto Kadiman. An annual alumni awards presentation recognises the outstanding achievement of Australian alumni. Also in 2008, three alumni were acknowledged as part of *Globe Asia's* 99 most powerful women in Indonesia and four as part of *Globe Asia's*<sup>80</sup> 100 educators of the year 2008.

Seventy-one per cent of alumni responding to the 2008 alumni survey felt more positive towards Australia as a result of their experiences studying and living in Australia. On return to Indonesia, 85 per cent of alumni have returned to their original employer and 95 per cent consider the knowledge and skills gained in Australia were relevant to their jobs.

### Factors contributing to or hampering success

Factors contributing to the success of the scholarships program include the high level of political support from both governments and its reputation as an effective and responsive merit-based program. Australia also has a comparative advantage by being able to provide access to a quality education in close proximity to Indonesia. The primary constraint to more widespread gains through Australian scholarships is the difficulty in finding applicants with sufficient English language skills in more remote areas and poorer provinces.

### Management consequences

In 2009 and 2010 steps will be taken to improve access to scholarships in regional areas to broaden the pool of applicants—including through providing English language training in areas where it is a barrier. To increase the development impact of scholarships, AusAID will strengthen its support to returning scholars through 'reintegration to the workplace' programs and a strong alumni program to provide ongoing personal and professional development and connections with Australia.

AusAID will review the human resource development component of the scholarships programs to determine how scholarships can be more directly linked with national policy priorities and to building capacity of key institutions. AusAID will concentrate more on the post-scholarships phase—reintegration and return—and increase monitoring and evaluation and alumni activities across all programs. Australia will also continue to support Government of Indonesia efforts to establish an Overseas Scholarships Roundtable to improve coordination of scholarships provided by donors and improve knowledge on human resource capacity gaps in Indonesia.

### Expenditure

Estimated scholarships expenditure in 2008 totalled \$49 054 996 (\$47 887 456 AusAID scholarships and \$1 167 540 non-AusAID scholarships<sup>81</sup>). This comprised 12 per cent of the overall Indonesia program.

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<sup>80</sup> A leading business publication in Indonesia.

<sup>81</sup> In 2008 ACIAR provided 13 new post-graduate scholarships to Indonesians and had 33 Indonesians already studying in Australia. However this is not included in the estimate of expenditure by other government departments on scholarships because data on ACIAR scholarships is not currently disaggregated by country.

## 10. Disaster management: to respond, and reduce vulnerability to disasters, humanitarian needs and complex emergencies

### Ratings

- *Improving Government of Indonesia capacity: the objective is on track to be fully achieved within the timeframe*
- *Reducing community vulnerability: the objective is on track to be fully achieved within the timeframe*
- *Maintaining a timely and effective Australian response capacity: the objective is on track to be fully achieved within the timeframe*

### Assessment of results and performance

Indonesia remains highly vulnerable to natural disasters which undermine development efforts. In 2008 there was greater momentum by the Government of Indonesia towards disaster risk reduction as the key to more effective disaster management. The Government effectively handled the responses to three minor disasters in 2008. However, given the infancy of the national and sub-national disaster management machinery, Indonesia may still require some assistance if a large-scale emergency arose. There is still a need for food assistance in NTT and NTB where Ministry of Health nutrition indicators demonstrate critical malnutrition rates.

The Development Assistance Committee Peer Review commended AusAID for its humanitarian donorship, including pre-positioning of funds and needs-based responses, and for building on existing strategic partnerships with United Nations (UN) agencies, multilaterals and faith-based organisations. Australia's program in 2008 built the capacity of community and faith-based organisations to strengthen community preparedness and reduce community vulnerability to disasters, and addressed food insecurity in NTT and NTB. Australia also maintained a strong standby disaster response capacity.

### Key results

Australian support through the United Nations Development Programme (UNDP) assisted Indonesia's new National Coordinating Agency for Disaster Management, *Badan Nasional Penanggulangan Bencana* (BNPB)<sup>82</sup>, to establish a National Disaster Information Data Base and National Platform in Disaster Risk Reduction to strengthen coordination. In November, the Australian Prime Minister and Indonesian President announced the establishment of a joint Facility for Disaster Reduction in Jakarta. The Facility is to support Indonesia's and the region's efforts to reduce the impact of disasters and to improve self-management capabilities through training and outreach; risk and vulnerability assessment; and research and analysis on emerging regional threats. Specific support will be developed with the Government of Indonesia through annual work plans, commencing in 2009.

Under decentralisation, sub-national governments and communities have a key role to play in disaster management, but they need to build their capacity to undertake this role effectively. In 2008, Australia helped reduce community vulnerability to disasters by developing disaster curriculum for Islamic schools; training 320 paramedics in hospital preparedness; training

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<sup>82</sup> BNPB was established in April 2008 under Indonesia's 2007 Disaster Management Bill.

and mobilising 160 field facilitators; conducting disaster simulations for 4300 participants; and developing early-warning systems and emergency response standard operating procedures in 55 disaster-prone villages. Australia maintained a strong response capacity including trained personnel, deployment equipment and standing agreements. It also established a warehouse stocked with relief items and a response centre. Further in 2008, Australia supported key UN and international agencies to ensure the provision of timely and effective information and coordination in emergencies.

Food baskets reached 290 673 beneficiaries from July to December, resulting in improved micronutrient status of school children, increased attendance at health centres, reduced rates of anaemia, improved birth outcomes for pregnant women, and reduced child mortality and malnutrition.<sup>83</sup> Australian support also produced the *Food Insecurity Atlas*, a key Government of Indonesia development planning document.

### Factors contributing to or hampering success

The policies, implementation strategies and work plans for BNPB are still being developed. Sub-national governments also have a lead role to play in disaster management but they are constrained by a lack of strategic direction and clarity over roles and responsibilities. The Government of Indonesia has delegated community disaster risk reduction and capacity building of district governments to civil society organisations (which include faith-based organisations). As a result, in 2008 AusAID deepened its engagement with large faith-based organisations such as Muhammadiyah and Nahdlatul Ulama, providing large numbers of people with access to increased community preparedness and reduce vulnerability. Addressing the differential impacts of disasters on women and men and supporting women in their important roles in community disaster management and recovery are part of this work and require more systematic attention to enhance outcomes. Australia also worked through multilateral agencies to help the Government of Indonesia improve national disaster management.

### Management consequences

The management and reporting arrangements for the Australia – Indonesia Facility for Disaster Reduction and AusAID's Disaster Management Unit need to be articulated along with clear areas of responsibility and a program of activities.

While partnering with faith-based organisations supports the Australian Government's goal of deepening its strategic partnerships with such organisations, it requires substantial human resource investments by AusAID to progress implementation.

In 2008, a training workshop was conducted on the gender aspects of disaster preparedness and response to ensure Australia's approach reflects international best practice. There will be increased attention to ensuring gender equity is systematically incorporated into design documents and monitoring and evaluation frameworks for projects.

A review of AusAID Jakarta's emergency response capacity will be undertaken in 2009 taking into account increased capacities of the Indonesian Government and other partners, as well as AusAID Canberra response capacities.

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<sup>83</sup> Quality at Implementation Reports 'Emergency and Humanitarian Program and Disaster Management Program 2008-09'.

As noted in Australia's new disaster risk reduction (DRR) policy for the aid program<sup>84</sup>, the Indonesia program will pilot integrating DRR across the program commencing in 2009 with the mapping of opportunities for integrating DRR within existing programs.

### Expenditure

Estimated expenditure in 2008 on humanitarian and disaster related activities totalled \$21 931 043 (\$21 116 270 AusAID<sup>85</sup> plus \$814 773 other government departments). This comprised five per cent of the overall Indonesia program.

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<sup>84</sup> AusAID (2009) 'Investing in a Safer Future: A Disaster Risk Reduction policy for the Australian aid program'.

<sup>85</sup> AusAID humanitarian expenditure figure includes AusAID's World Food Programme contribution of \$6 580 000 million allocated to Indonesia.



### 3 What is the quality of our aid activities?

The Indonesia program is performing above AusAID's corporate target of 75 per cent of activities achieving their objectives, with 88 per cent of the program performing satisfactorily or better. Implementation progress also rates highly at 85 per cent, although it is down from 93 per cent in 2007. However, approximately two-fifths of the program still requires improvement in these areas, remaining relatively unchanged since 2007.

In 2008, the Indonesia program invested considerable effort to improving the quality of its portfolio. AusAID program staff underwent ongoing training at both activity and initiative levels to build their capacity to undertake quality reviews and evaluations and help them better understand and more effectively use the quality reporting system. Better understanding and use of the quality reporting system aimed to reduce self-assessment bias and ensure program managers are not overly optimistic about the success of their projects. As a result, the program saw a decrease across all five quality criteria in 2008, reflecting more informed and realistic judgements of progress rather than genuine declines in quality.

For the first time, sector plans were developed to track progress at sector levels. These set out the sectoral objectives for Australian assistance, including how they relate to the Government of Indonesia's priorities. They also provided frameworks for collecting information and reporting on performance at sector levels. These plans are revisited annually and so should provide senior management with the critical performance information necessary to manage programs. They should also provide a sound basis for discussion around consolidation of programs. At the same time, current plans highlighted the need to further develop realistic and measurable objectives at sector level and to promote better links between cross-cutting programs.

#### **Monitoring and evaluation**

Monitoring and evaluation still require considerable improvement, with only two-thirds of programs performing satisfactorily in 2008 (down from 80 per cent in 2007) and an even greater proportion requiring improvement. In some cases, such as with the Government Partnerships Fund, monitoring and evaluation frameworks typically reported only on activity implementation and fund disbursement, not on outcome achievements. A recurring problem for many programs is the lack of clear objectives and outcomes, and effective implementation strategies to achieve them. In 2008, more attention was given to ensuring that major investments and new designs had quality monitoring and evaluation systems in place than rehabilitating those well into implementation.

As listed in Annex Three, at least two-thirds of the program was reviewed or evaluated in 2008. This has enabled managers to take stock of performance across most of the program, including building a stronger evidence-base and making continuous improvements to program implementation. As reviews and evaluations typically require a large investment of time for



program managers, it will be important that future reviews and evaluations be strategically targeted. Key focus areas should be under-performing and new programs, and these should be considered alongside the 2010 Country Strategy mid-term review. The program also needs to be more systematic in following up review recommendations.

A significant quality initiative in the health sector has been the establishment of an Independent Monitoring and Evaluation Team under a three-year delegated cooperation program (2006–09) between the United Kingdom's Department for International Development (DfID) and AusAID to assess the performance of AusAID- and DfID-funded maternal and health programs in Indonesia (implemented by United Nations Children's Fund (UNICEF) and the GTZ). Consistent with the Paris Declaration on Aid Effectiveness, a key element of this initiative is learning between organisations. The team reports back to AusAID, DfID, UNICEF, GTZ, the Government of Indonesia and the wider development community on the performance of programs and the extent to which they are aligned with and support the Government of Indonesia's efforts towards achieving the MDGs for reducing maternal and child mortality. A synthesis report compiling the team's findings and recommendations over three years is proposed for late 2009.

## Sustainability

The overall sustainability of activities declined from 89 per cent in 2007 to 71 per cent in 2008, and was significantly lower in the rural development, health and education sectors. At the sub-national level, support through ANTARA for health and education activities is not well integrated into relevant local government sectoral plans and budgets. The Quality at Implementation Reports (QAIs) for ANTARA and the Eastern Indonesia Programming initiative indicate that the long-term sustainability of AusAID's support to eastern Indonesia requires a systemic approach to local government capacity development.<sup>86</sup> In the case of SADI, sustainability depends on wider replication of its model and institutionalising it within the Indonesian system. As mentioned earlier, the mid-term review found—to date—insufficient focus on the institutional changes needed to make the model work.<sup>87</sup>

In preparing its QAIs, AusAID's corporate guidance assumes a level of knowledge of key principles of sustainability. However, performance workshops with program managers revealed that these managers require more elaborate explanations of key concepts such as features of ownership, financial capacity and recurrent budget implications, institutional integration, absorptive capacity, compatibility with policy context, and project time horizons. The down trend of QAI ratings for sustainability from 2007 to 2008 can most likely be attributed to the ongoing training provided to program managers, which focused on clarifying the concept of sustainability.

## Gender

Gender was again included in the 2008 QAIs, following the trial of this indicator in 2007. The rating decreased by 12 per cent from 2007 to 2008 in Indonesia and around two-thirds of initiatives were rated satisfactory but requiring improvement in 2008. This is consistent with

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<sup>86</sup> Quality at Implementation Report (2009) ANTARA, p. 3; Quality at Implementation Report (2009) 'Eastern Indonesia Programming', p. 3.

<sup>87</sup> Mid-term Review (2009) SADI, pp. 6-7.

the findings of the Indonesia program's internal gender review and may reflect the training received by program managers who have become more realistic in their ratings. Identification of gender outcomes or intermediate outcomes in the latest QAIs was patchy and reporting on gender outcomes in sector reports needs strengthening. The education sector is most advanced.

The program recognises the need to further strengthen integration and reporting of gender perspectives and during 2008 addressed this in a number of ways. Focal points were identified for each sector in the Country Office and a cross-program gender working group was formed to share knowledge and good practice. Gender-equality training was conducted with almost 50 per cent of Country Office staff attending and a specialised workshop on gender aspects of disaster preparedness and response was also conducted to ensure AusAID's approach reflects international best practice. The proposed engagement of a gender adviser in 2009 will help strengthen performance and reporting on gender-equality outcomes across the program.

## Using Government of Indonesia systems

An increasing proportion of Australian funds are being channelled through Indonesian Government systems—including planning, procurement, public financial management, audit, and monitoring and evaluation. Currently this is mostly in school construction and road improvement activities, but also in a more limited way at sub-national level through the maternal and neonatal health program.

Both the education and roads improvement programs took longer than expected to get up and running, because of AusAID's unfamiliarity with loan financing, the complexity of working through government budget and systems, and the need to put in place strong anti-corruption safeguards. According to the 2008 AIPRD review, a positive outcome was that AusAID has learned from experience and is now in a position to design and implement similar programs more quickly. This experience may also demonstrate in what circumstances the extra fiduciary safeguards required by AusAID are justified, and where they can be relaxed because of confidence in the Government's own systems for disbursing money, auditing the use of funds and tracking program performance.<sup>88</sup>

At the sub-national level, analysis of funds disbursement system in NTT also revealed that the process faced political problems and constant delays. In response, AusAID established a trust fund to ensure Government of Indonesia involvement while maintaining effectiveness and transparency in the process. This experience emphasised that AusAID will need to continue to take phased approaches to using government systems.

This work was supported by an adviser from the ADB who conducted insightful analyses and held several useful workshops. In 2008, the Indonesia program also undertook an analysis of overarching Indonesian government systems and began the task of developing a three- to five-year roadmap on how it will implement the Accra Agenda for Action<sup>89</sup> and the Jakarta Commitment. This analysis will continue in 2009, drawing on lessons learned from the schools, roads and health programs, the findings of the 2008 Survey on Monitoring the

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<sup>88</sup> AusAID (2008) 'Review of Australia Indonesia Partnership for Reconstruction and Development (AIPRD)', pp. 12–13.

<sup>89</sup> Agreed at the Accra High Level Forum in September 2008 where the global community met to discuss progress against the Paris Declaration.

Paris Declaration<sup>90</sup> as well as guidelines and analysis from AusAID in Canberra and other donors.

The increasing use of Indonesian Government systems will have a significant impact on the way AusAID addresses performance management. It will entail a greater shift toward measuring progress at program levels, as support will be increasingly channelled to sector programs and government agencies rather than individual activities. As a result, more effort will be required to track progress on the quality of partnerships, policy discussion and support for strengthening the Indonesian Government's own monitoring and evaluation systems. Building the capacity of AusAID staff in these areas will be an ongoing priority.

## Moving forward

Strengthening performance orientation will continue to be a priority in 2009.

The development of the performance management system, including stronger articulation of objectives and performance in each sector, will provide a better evidence base for managing for results and supporting consolidation of the program.

Greater attention should be paid to tracking progress on partnerships, particularly shifting emphasis from initiative to sector level and the high-level partnership between the governments of Australia and Indonesia. More attention is also needed in measuring the performance of capacity-building efforts, which to date has struggled to articulate its contribution to development outcomes.

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90 Published at: [http://www.oecd.org/infobycountry/0,3380,en\\_2649\\_15577209\\_1\\_70498\\_119663\\_1\\_1,00.html](http://www.oecd.org/infobycountry/0,3380,en_2649_15577209_1_70498_119663_1_1,00.html)

## 4 What are the management consequences of this assessment?

The management consequences relating to program interventions in each sector are described in Section Two under individual sector reports. This section deals with broader implications for the whole program stemming from program management's assessment of performance and external events during 2008 which are expected to influence the shape of the program.

### Reviewing the country strategy: working with a middle-income country

This year was significant in consolidating the program after the rapid scale up from 2005 to 2007, largely in response to the tsunami. The program has matured. Now, sector programs are framed around a smaller number of flagship initiatives and they work closely with or within Indonesian Government systems. A mid-term review of the Country Strategy (2008–2013) is scheduled for 2010 to coincide with the new Indonesian Government and Indonesia's next Medium Term Development Plan. As part of this AusAID will reassess the assumptions the Country Strategy was built on, particularly in light of the impact of the global recession on Indonesia's previously projected high growth rates and policy shifts by the new government. AusAID will undertake analytical work during 2009 in preparing for the review and will develop new program areas dealing with the global recession, strengthening the knowledge sector and upgrading trade-related aid.

**Actions:** analyse impacts of the global recession and determine program responses; develop the evidence base for a continuing focus on priority provinces; and agree on further analytical work to feed into the mid-term review. Develop new programs in social protection and monitoring, knowledge sector support and trade-related assistance.

### Efficiently managing the five-year, \$2.5-billion budget commitment

The Indonesia program's capacity to effectively manage the \$2.5-billion budget commitment as the AIPRD winds down has been less than efficient. This has resulted in programming and planning gaps as AusAID moves to simultaneously reduce the number of individual programs and increase their size. The program has developed a forward-looking budget strategy and implementation plan to guide new development. These will be brought to the Executive and Minister for endorsement. AusAID will reduce the number of activities in Indonesia and increase the average size of programs. The management workload for the program will subsequently reduce.

**Actions:** prepare medium-term budget paper and financing trajectory for AusAID and the Minister.

## Managing a strategic and efficient program: further consolidation and knowledge building

In 2008, the number of discrete monitored initiatives was reduced from more than 80 to 55 and this is projected to decline further by 2013. This consolidation provides the opportunity to develop stronger links within the program.

1. AusAID's main priority will be to establish links across and between central public sector-focused governance work (economic and sectoral) and strengthen service delivery at sub-national level. The Australian Government (AusAID and other government departments) is supporting governance reforms in national ministries in most big programs, in areas such as financial management, procurement, human resource development and policy development. It is important to consolidate for efficiency as well as impact. Australia is also supporting governance reform at provincial and district levels. This needs to link with national programs, especially public-sector financial reforms. Governance sector work is broad-ranging and complex and AusAID will need to clarify its management approach, including by considering whether to split governance responsibilities across various sections in the Country Office.
2. Most of AusAID's investment is in governance and three other key sectors—education, health and infrastructure. The Agency will clarify and set realistic objectives that tailor its aspirations (policy engagement and programming) to the operating context—working with national government where there is leadership, commitment and engagement with donors, or in targeted technical areas where this is absent but there is local support.
3. AusAID's policy engagement with the Government of Indonesia and other donors has increased significantly in areas where the Agency has invested more heavily and provided quality technical advice that met the Indonesian Government's main priorities. Activities have focused mostly at sector level and it would now be useful to track engagement across the program, identifying common issues and more strategic ways of operating (for example, by working with other donors or government on fundamental issues that are reducing aid effectiveness).

**Actions:** develop a sub-national governance framework; develop simplified sector performance frameworks with realistic objectives and time frames; assess policy partnerships to document current engagement with key players; and identify which relationships are most important to AusAID's strategic interests.

## Responding to external events

AusAID is already well positioned to respond to emergencies which may impact on the program. As part of the Agency's core business, pandemic preparedness and business continuity plans will be kept up-to-date; ongoing training for the Agency's Rapid Response Team will be provided; staff will be made available for rapid deployment; and staff and emergency contact lists maintained. But AusAID still needs to think through the nature of responses to other major events that will impact on the program over 2009 and 2010. These include: the global recession; the Australia – Indonesia free trade negotiations; the Indonesian Presidential election; a new Government of Indonesia Medium Term Development Plan; and

shifting program directions by multilateral development banks (e.g. the International Finance Corporation). AusAID should also complete more scenario planning and horizon monitoring.

**Action:** set up a unit in Canberra to prepare a forward work schedule of scenario planning and research.

## Strengthening the evidence base for decision making

In late 2008, AusAID engaged technical expertise to help build an operational performance framework for the Indonesian program and to develop staff capacity to institutionalise a stronger evidence-based approach to program management and reporting. Although significant resources have been committed to this, systemic improvement and capacity remain uneven. A new Chief of Operations position in the Country Office (commencing in 2009) will have a performance oversight role and this should help increase communication across the program, ensure practical frameworks are developed and institutionalise and align processes. The changing nature of the program from a project-delivery model to broad-based programs and use of government systems requires a different outcomes-focused way of thinking. This work is at an early stage and requires significant effort. Staff training and mentoring will also require sustained effort.

**Actions:** ongoing analysis and evaluation as identified elsewhere in this section; review the APPR process to increase efficiency and better align it with other reporting requirements throughout the year (Business Unit Plans, QAIs, sector plans); articulate performance and planning cycle links; draft quarterly performance updates and discuss these at quarterly management meetings; and develop an operational performance framework.

## Aid effectiveness

In 2008, Australia continued to play a lead role with other donors to ensure a harmonised approach in Indonesia consistent with the Paris Declaration on Aid Effectiveness. AusAID also strengthened discussion with the Government of Indonesia during the year to better align priorities and gain greater Indonesian participation in performance monitoring. The Agency's efforts to progress the aid effectiveness agenda in 2009 will focus on supporting the Indonesian Government to accelerate the establishment of the Aid for Development Effectiveness Secretariat in BAPPENAS and implement the Jakarta Commitment. In particular, AusAID will work to ensure greater compliance with Government of Indonesia efforts to register ODA activities.

**Actions:** strengthen efforts to ensure Australia and other donors provide timely and appropriately classified aid flow data to the Government of Indonesia, to facilitate consolidation in their budget and reporting systems; strengthen partnerships with BAPPENAS, the Indonesian Government's Ministry of Home Affairs and the World Bank.

## Managing risk when using Indonesian Government systems

The increasing use of partner country systems means AusAID will need to improve its skills in assessing and addressing corruption and fiduciary risks. AusAID will need to continue to develop its understanding of how Indonesian systems work in practice, which will require stronger relationships with government partners and more technically-skilled staff. There will be greater requirement for program managers to be aware of risks which may have resourcing

and capacity-building implications. More AusAID staff may need to be seconded to work at the 'coal face' or within the Government of Indonesia (such as in the maternal and neonatal health program).

AusAID has already begun to document lessons learned from its experience to date in using government systems and is building its knowledge and expertise. It will be important to provide user-friendly access to this information and ensure that expertise is available to those working on the program and to those designing new interventions.

**Actions:** develop a roadmap including targets for increasing use of government systems that is informed by the Jakarta Commitment; develop practical tools to enable staff to assess government systems for fiduciary risks.

## Improving program effectiveness by establishing stronger cross-agency links

Develop stronger links between the Indonesia program and other Australian Government bilateral, regional and multi-country programs in the region—for example, the Association of Southeast Asian Nations (ASEAN), East Timor and the Philippines.

**Action:** reallocate existing Counsellor resources in the Country Office to enable additional time for cross-program work including ASEAN.

## Improving business processes and communication

AusAID has identified areas in which the Agency could increase efficiency:

1. reassess the Indonesia program senior management team's meeting agenda and timing to balance the focus of immediate short-term imperatives with strategic issues; monitor action on management consequences
2. bed down Canberra's roles and improve communication between the Country Office and Canberra, including by identifying sector contact points in Canberra; and channels of communication with thematic areas and advisers
3. develop and implement process and quality guidelines for:
  - a. concept, design and evaluation processes, underpinned by analyses of current processes to help identify blockages and improve lead times in implementing new assistance
  - b. Financial Management and Accountability Regulations 9 and 10
  - c. public affairs talking points.
4. provide direction on briefing tasks (responsibility, quality, input by individuals or teams)
5. draft and establish email protocols to clarify the purpose of each email and reduce overall volume and length of email traffic.

## Developing AusAID's workforce to match program needs

The devolution of management of the Indonesia program to the Country Office and the move to greater use of Indonesia Government systems, mean that AusAID needs to continue to develop and structure its workforce to meet changing program needs.



**Actions:** Continue to assess the AusAID workforce to ensure the resourcing model, skills and capacity of staff can meet the current and ongoing requirements of the Indonesia program. This will involve conducting an intensive workforce planning and skills assessment exercise in Jakarta to identify skills gaps and review what recruitment, training and development is needed to address these gaps. Locally engaged (overseas-based) staff in the Country Office will be integrated into the management structures through a program of mentoring, development and targeted recruitment. The proposed engagement of a gender adviser in the Country Office in 2009 will help integrate gender equality across the program. The issues identified by Canberra and Jakarta in a recent AusAID staff survey will be addressed, particularly ways of increasing the intrinsic awards in working on the program (e.g. making better use of staff skills; providing interesting work; maintaining work/life balance; building in time for learning and development opportunities, including leadership and management; and improving communications on broader AusAID developments).

## Public diplomacy

The development partnership with Indonesia draws strong Australian Government and community interest. In 2008, AusAID significantly stepped-up public diplomacy and public affairs activities, but there remains room for improvement in how and what the Agency communicates. AusAID will draw on specialist public affairs advice to examine better ways to communicate what is being done and identify target audiences. Clearer messages need to be developed and better briefings held about the program drawing from performance processes and reporting.

**Actions:** conduct public perceptions and leadership surveys in Indonesia to tie in with the community attitudes research being undertaken by AusAID's Communications Section; develop a public diplomacy plan for 2009-10; develop proposals for a major public relations initiative to promote the successes of the Australia Indonesia Partnership; and redevelop the program's corporate website.

# 1 Indonesia's progress against the Millennium Development Goals in 2008<sup>91</sup>

### Goal 1: Eradicate extreme hunger and poverty

Indonesia has already halved the proportion of people whose income is less than the international US\$1 a day poverty line (21 per cent in 1990 to 7.5 per cent in 2006). However, when applying a national poverty line trends suggest an increase from 15.1 per cent in 1990 to 15.4 per cent in 2008. While poverty levels have declined since peaking in 1998 at 24.2 per cent, the impacts of the global recession are as yet unclear.

### Goal 2: Achieve universal primary education

At 94.7 per cent, Indonesia is close to enrolling almost all children in primary school, though this national rate varies from 96 per cent in Central Kalimantan to 78 per cent in Papua. The number of students who reached Grade 5 was 81 per cent in 2004-05.

### Goal 3: Promote gender equality and empower women

Indonesia has almost achieved this target, with ratios of 100 per cent at primary school, 99.4 per cent in junior secondary school, 100 per cent in senior secondary school, and 102.5 per cent in tertiary education. However, much remains to be done to address gender stereotyping in school curriculum and teacher training. The proportion of women in wage employment in the non-agricultural sector is only 33 per cent and the proportion of seats held by women in the national Parliament is only 11.3 per cent.

### Goal 4: Reduce child mortality

Indonesia is on track to reducing infant mortality to 32<sup>92</sup> deaths per thousand live births in 2015, having already reduced this figure from 97 in 1990 to 44 in 2007. However, the proportion of one- to two-year-old children immunised against measles (81.6 per cent)<sup>93</sup> needs to be much higher.

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91 <http://www.undp.or.id/pubs/docs/Let%20Speak%20Out%20for%20MDGs%20-%20EN.pdf> Although this report does not provide specific dates for data collection, it notes that figures have been drawn from the latest available data.

92 Source from BAPPENAS presentation (2008) on 2007 MDG targets and achievements.

93 Government of Indonesia Ministry of Health (2007) 'Basic Health Research (Riset Kesehatan Dasar)'.

## Goal 5: Improve maternal health

Although at the national level Indonesia has reduced maternal mortality from 390 deaths per 100 000 live births in 1995 to around 228<sup>94</sup> deaths, progress is lagging. Causes include unsafe abortions and birth complications with an absence of a skilled birth attendant (the proportion of births attended by skilled attendants is 77.23 per cent<sup>95</sup>). Contraceptive use among women aged 15 to 49 has increased to 61 per cent<sup>96</sup> and antenatal care is also improving.

## Goal 6: Combat HIV/AIDS, malaria and other diseases

The current prevalence of HIV/AIDS in Indonesia is 0.22 per cent of the adult population (based on 2008 estimates), with no indication of a reduction in transmission. The incidence of malaria is 18.6 million cases per year and probably reducing. Tuberculosis prevalence is approximately half a million people becoming infected each year. With 76 per cent of cases being detected and 91 per cent of cases cured using Directly-Observed Treatment Short-course, it appears likely prevalence will have begun to decrease by 2015.

## Goal 7: Ensure environmental sustainability

Indonesia faces significant barriers to achieving the MDG for environment and climate change, exemplified through decreases in forest cover (from 60 per cent in 1990 to 49.9 per cent in 2007) and steadily rising carbon dioxide emissions (1.34 per capita in 2005). Although 57.2 per cent of the population had access to safe drinking water (2006), variations ranged from 34 per cent in West Sulawesi to 78 per cent in Jakarta. On sanitation, Indonesia has already exceeded the 65 per cent target having achieved 69.3 per cent coverage, although the quality of facilities is variable.

## Goal 8: Develop a global partnership for development

Development funding in the form of foreign loans and grants have been available to Indonesia since the 1960s. The Indonesian economy recovered from the economic crisis of 1997-98 and dependence on external funding has declined significantly since then. Management of foreign debt could be significantly improved, including through the development of a strategy and regulations on borrowing. On trade, Indonesia has recently implemented a number of internal bureaucratic reforms and adopted several new policies aimed at promoting a more open, rule-based trading system.

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94 Statistics Indonesia (2007) 'Indonesia Demographic and Health Survey 2007'.

95 Government of Indonesia Ministry of Health, Directorate Maternal Health, 2008 data on maternal scopes and targets 2004-09 and MDGs 2015.

96 Statistics Indonesia (2007) 'Indonesia Demographic and Health Survey 2007'.

## Annex

# 2 Quality at Implementation— Indonesia (2008-09)

Initiative name	Key sector	Total Financial Management and Accountability 9 approval	Implementation progress	Achieving objectives	Monitoring and evaluation	Sustainability	Gender
Water and Sanitation Policy Formulation and Action Planning Project Phase 2	Infrastructure	17 790 000.00	Green	Green	Amber	Green	Green
Social Monitoring and Early Response Unit	Governance	5 859 622.39	Green	Green	Yellow	Amber	Green
World Bank Water Supply and Sanitation Project for Low Income Communities Phase II	Infrastructure	12 500 000.00	Yellow	Green	Yellow	Green	Yellow
Emergency and Humanitarian Program	Humanitarian	24 993 898.69	Yellow	Yellow	Green	Yellow	
Australia Nusa Tenggara Assistance for Regional Autonomy Program	Rural development	30 908 000.00	Green	Yellow	Yellow	Yellow	Yellow
Technical Assistance Management Facility	Governance	26 000 000.00	Green	Green	Green	Green	Amber
Australian Development Scholarships Off-Shore Management—Phase II	Education	27 205 000.00	Green	Yellow	Red	Amber	
Specialised Training Project—Phase III	Education	65 000 000.00	Green	Green	Green	Yellow	Green
Bali Memorial Package	Humanitarian	12 892 000.00	Green	Green	Green	Yellow	Green
Legal Development Facility	Governance	24 000 000.00	Green	Yellow	Yellow	Yellow	Yellow
Learning Assistance Program to Islamic Schools	Education	35 305 475.00	Green	Green	Yellow	Yellow	Green
Kang Guru Radio English	Education	3 390 000.00	Green	Yellow	Amber	Amber	Amber
Institutions of Democracy and Accountability	Governance	14 892 364.37	Green	Yellow	Yellow	Yellow	Amber
AIPRD Disaster Management Program	Humanitarian	14 865 403.00	Green	Green	Green	Yellow	Yellow
AIPRD Government Partnerships Fund	Governance	49 850 930.00	Green	Yellow	Red	Yellow	Amber
AIPRD Scholarships Program	Education	79 446 293.00	Yellow	Yellow	Amber	Amber	Green
AIPRD Communicable Diseases Program	Health	10 025 919.10	Green	Green	Green	Amber	Yellow
AIPRD Basic Education Program (Grants)	Education	99 031 479.00	Green	Green	Yellow	Green	Amber
AIPRD Aceh Mapping Assistance Project	Infrastructure	9 850 000.00	Green	Green	Green	Green	Green
AIPRD Smallholder Agribusiness Development Initiative	Rural development	38 000 000.00	Amber	Yellow	Amber	Amber	Amber
AIPRD Aceh Research Support Facility	Education	2 945 000.00	Green	Green	Yellow	Amber	Green
AIPRD Local Governance and Infrastructure for Communities in Aceh	Governance	27 676 706.00	Green	Green	Yellow	Green	Green
AIPRD Communities and Education Program in Aceh	Education	9 634 829.89	Green	Green	Amber	Red	Green

Initiative name	Key sector	Total Financial Management and Accountability 9 approval	Implementation progress	Achieving objectives	Monitoring and evaluation	Sustainability	Gender
AIPRD Private Enterprise Partnership for Aceh and Nias	Governance	6 520 000.00	Yellow	Yellow	Yellow	Yellow	Yellow
AIPRD Aceh—Banda Aceh Port—UNDP	Infrastructure	5 000 000.00	Yellow	Green	Red	Green	Yellow
AIPRD Eastern Indonesia National Roads Improvement Project (EINRIP) — Implementation, Planning and Support Facility	Governance	27 419 706.84	Amber	Amber	Green	Green	Green
AIPRD Nias Reconstruction Fund	Humanitarian	9 750 000.00	Yellow	Green	Yellow	Yellow	Yellow
AIPRD Australian Community Development and Civil Society Strengthening Phase 2	Governance	26 925 000.48	Green	Green	Green	Green	Green
AIPRD Basic Education Program	Education	59 088 712.92	Yellow	Yellow	Amber	Yellow	Yellow
AIPRD Basic Education Program Loans	Education	142 753 552.03	Green	Green	Yellow	Green	Amber
AIPRD EINRIP Loans	Infrastructure	300 000 000.00	Amber	Amber	Green	Green	Green
AIPRD Yogyakarta Reconstruction Program	Other	30 000 000.00	Green	Green	Yellow	Yellow	Yellow
UNICEF Women's and Child Health Program in Papua	Health	6 451 229.00	Amber	Amber	Amber	Amber	Amber
Eastern Indonesia Programming	Rural development	8 000 000.00	Yellow	Yellow	Red	Amber	Amber
Australia Indonesia Partnership for Maternal and Neonatal Health Program	Health	49 143 152.97	Yellow	Green	Yellow	Green	Green
Pandemic Influenza and Emerging Infectious Diseases Prevention and Preparedness	Health	18 500 000.10	Green	Green	Green	Amber	Yellow
Australia Indonesia Partnership for HIV	Health	100 000 000.00	Green	Green	Yellow	Yellow	Yellow
Australia Indonesia Partnership for Health Systems Strengthening	Health	11 443 964.94	Yellow	Yellow	Amber	Green	Red
Indonesia Strengthening Public Procurement Program	Governance	10 459 375.01	Amber	Amber	Red	Amber	Red
Indonesia Infrastructure Initiative	Infrastructure	62 133 258.82	Amber	Amber	Amber	Yellow	
Disaster Management Program	Humanitarian	4 425 000.00	Yellow	Yellow	Green	Yellow	Yellow
Australian Development Scholarships (in-Australia cost)	Education	79 981 375.01					

#### Definitions of rating scale

Satisfactory (4, 5 and 6)		Less than satisfactory (1, 2 and 3)	
6	Very high quality	3	Less than adequate quality; needs significant work
5	Good quality	2	Poor quality; needs major work to improve
4	Adequate quality; needs some work to improve	1	Very poor quality; needs major overhaul

## Annex

### 3 Reviews and evaluations undertaken in 2008

<b>Independent evaluations</b>	<b>Value of Initiatives</b>
Australia Indonesia Partnership for Reconstruction and Development (AIPRD)	\$1,000 million
ODE evaluation of water supply and sanitation	\$30.3 million
AusAID's emergency assistance to Indonesia (2006 to 2007) and of current emergency response plans and procedures	\$52.7 million
<b>Independent completion reports</b>	
Local Governance and Infrastructure for Communities in Aceh (LOGICA)	\$27.7 million
Aceh Rehabilitation Project—Infrastructure Component	\$37 million
Strengthening Public Procurement Program	\$10.5 million
Indonesia Australia Specialised Training Project Phase III	\$65 million
NTT Primary Education Partnership	\$27.7 million
Australian National University Indonesia Project (Phase 1)	\$3.2 million
Indonesia HIV/AIDS Prevention and Care Project	\$42 million
Program for Eastern Indonesia Small to Medium Enterprise Assistance	\$4 million
Australian Community Development and Civil Society Strengthening (ACCESS) Phase 1	\$23.4 million
Aceh Food Security Project	\$10 million
Aceh Housing Assistance Program	\$5 million
Bali Memorial Package	\$12.4 million
<b>Independent progress reports</b>	
Aceh Research Training Institute	\$2.9 million
Disaster Management and Preparedness	\$14.9 million
Government Partnerships Fund (GPF)	\$45 million
Smallholder Agribusiness Development Initiative (SADI)	\$38 million
Australia Nusa Tenggara Assistance for Regional Autonomy (ANTARA) Program	\$30.9 million
Basic Education Program	\$333.2 million
Learning Assistance Program to Islamic Schools (LAPIS)	\$35.3 million