



Australian Government  
AusAID

# Annual program performance report for Indonesia 2007

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## Abbreviations

ACCESS	Australian Community Development and Civil Society Strengthening
ACIAR	Australian Centre for International Agricultural Research
ANTARA	Australia Nusa Tenggara Assistance for Regional Autonomy
AusAID	Australian Agency for International Development
BAPPENAS	Badan Perencanaan Pembangunan Nasional—Indonesia Ministry for National Development Planning
HIV	human immunodeficiency virus
IFC	International Finance Corporation
MDGs	Millennium Development Goals
SADI	Smallholder Agribusiness Development Initiative
SMERU	Social Monitoring and Early Response Unit Research Institute
WASPOLA	Water and Sanitation Policy Formulation and Action Planning Project

# Summary

## OVERVIEW

Indonesia's economy has returned to the growth rates prevailing prior to the Asian financial crisis and the country has 'graduated' to the status of a low middle-income country. Indonesia is on track to meet the Millennium Development Goals (MDGs) for alleviating poverty, achieving universal primary education and literacy, eliminating gender disparity in primary education, and improving sanitation. However, there is still a high degree of regional disparity; some provinces have high incidences of extreme poverty, maternal and infant mortality and a high disease burden. The Australia–Indonesia aid program is increasingly working through Indonesian government systems and finding ways to harmonise efforts with other donors.

This annual review of the performance of the Indonesia program reports on calendar year 2007 to align with the Government of Indonesia's fiscal year, but includes some results from early 2008. Last year's annual review concluded that the program's monitoring and evaluation were weak, so considerable effort was made during 2007 to improve these frameworks. More work is required, and data collection against the frameworks needs attention.

In 2008 management will focus on implementing the strategy of the Australia Indonesia Partnership, consolidating the program, further improving partnership arrangements, streamlining and strengthening program processes including governance, monitoring, reporting, research and analysis, promoting the program and improving workforce planning.

## RATINGS

When rating the effectiveness of the Indonesia program in achieving its objectives, the program's objectives in the new *Australia Indonesia Partnership country strategy 2008–13* were used. The ratings are summarised in Table 1, where they can be compared with the ratings against the partnership's 2006 objectives.

**TABLE 1 RATINGS OF THE INDONESIA PROGRAM USING THE OBJECTIVES FROM THE 2008–13 COUNTRY STRATEGY AND THE 2006 PROGRAM PERFORMANCE UPDATE**

Objective	Rating 2007	Rating 2006
<b>To improve natural resource management, environmental governance and response to climate change</b>	Amber	Not applicable
<b>To improve economic policy and strengthen economic management at the central level</b> 2006: Improve economic (and financial) governance at the national and subnational level	Green	Improved Green/Amber
<b>To reduce constraints to infrastructure and productivity growth</b> 2006: Enhance opportunities for economic growth through addressing market, regulatory and infrastructure constraints in targeted groups	Green	Improved Green/Amber
<b>To strengthen health systems to enable Indonesia to reach the MDG targets for maternal and child health, HIV/AIDS and other major diseases in targeted populations and better manage avian influenza in targeted areas</b> 2006: Improve health systems, focusing on enhancing maternal and child health 2006: Improve the capacity of communities, state and civil institutions to prevent, mitigate and respond to pandemics and epidemics	Amber	Unchanged Green/Amber Green/Amber
<b>To improve quality, access and governance in basic education</b>	Green	Unchanged
<b>To improve capacity, accountability and responsiveness of legal, democratic and oversight institutions and processes</b> 2006: Improve the efficiency and accountability of public sector and judicial institutions in delivering their mandate	Green	Improved Green/Amber
<b>To improve planning and delivery by local authorities, including through strengthened public financial management, and improve capacity of communities to demand greater accountability and better access to services</b> 2006: Strengthen the oversight of, and demand for, good governance	Green	Improved Green/Amber
<b>To respond to and reduce vulnerability to disasters, humanitarian needs, and complex emergencies</b> 2006: Respond to, and reduce the vulnerability of communities to, disasters, conflict, acute humanitarian needs and complex emergencies	Green	Unchanged Green
<b>To improve capacity to ensure transport safety and security to counter threats from transnational crime</b> 2006: Strengthen the capacity of the Government of Indonesia to combat transnational crime 2006: Strengthen Indonesia's engagement with key regional institutions to enhance economic integration and trade liberalisation 2006: Scholarships 2006: Aceh Performance Framework a	Not rated	Green/Amber Green/Amber Green/Amber Green/Amber

a The Aceh objectives, and their assessment, were incorporated into the country-wide objectives for 2007.

**Note:** A 3-point rating system was used for 2007. 'Green' denotes the objective is on track to be fully achieved within the timeframe. 'Amber' denotes the objective will be partly achieved within the timeframe. 'Red' denotes the objective is unlikely to be achieved within the timeframe. In 2006 'Amber' was split to 'green/amber' and 'red/amber'. 'Green' denoted ongoing refinements only and implementation required. 'Green/Amber' denoted some areas required substantial attention. 'Red/Amber' denoted problems that required substantial attention with some urgent action. 'Red' denoted significant problems and the need for urgent action.

## MAJOR RESULTS

- > Australia put \$78 million through Indonesia's treasury to finance school construction—a significant achievement in working through government systems.
- > Indonesia's non-oil income tax revenue increased from 3.6 per cent of gross domestic product in 2005 to 5.7 per cent in 2007.

- > Australia supported high-quality research focused on poverty, social protection and welfare that has been influential in Indonesian government policy development.
- > A total of 73 000 primary and junior secondary school places were created and literacy rates increased in targeted districts of Nusa Tenggara Timur from 42 per cent to 63 per cent in four years.
- > Women moved into leadership positions in local government in Aceh.
- > Farmer productivity increased by 26 per cent in targeted areas as a result of assistance provided to small and medium enterprises in Eastern Indonesia.
- > Household access to clean water in participating villages increased from 25 per cent to 77 per cent and access to sanitation from 24 per cent to 42 per cent.
- > Australia helped to build the capacity of 700 government officials in 17 subdistricts to deliver efficient and more accountable services to communities.
- > Australia and Indonesia together are responding to international imperatives for action on climate change and advancing the international climate agenda through innovative, world's best practice pilot programs under the International Forest Carbon Initiative.
- > AusAID completed the transfer of responsibility for program management from Canberra to Jakarta, enabling initiatives to be shaped more appropriately to local circumstances and foster more effective relationships with counterparts and other donors in country.

## MAJOR CHALLENGES

- > Operating within Indonesian government systems and achieving necessary ownership of an initiative is complex and requires a high level of understanding of the systems and their strengths and weaknesses.
- > Short timeframes for increased funding to support emerging sectoral needs reduced the time for program design and resulted in some smaller interim activities.
- > Working in new areas and in new ways requires the agency to 'learn while doing'.
- > The transition from traditional program management to the use of government systems to meet the requirements of performance reporting is an ongoing challenge.
- > To achieve and report on development outcomes requires an increase in the ability and effectiveness of AusAID's partnerships.
- > Gender inequalities remain significant and there are barriers to equality. Devolution to subnational levels presents significant challenges as well as opportunities.
- > Unavoidable senior management changes, external factors such as the Australian federal election and corporate priorities such as development of the new country strategy interrupted strategic oversight of the program.

# 1 Country performance

The Government of Indonesia's objective is to create a stable and just nation. Its Medium Term Development Plan focuses on establishing justice and democracy for all citizens and targets equitable economic growth that is sustainable, creates jobs and reduces poverty.

According to H Paskah Suzetta, Minister of State for National Development Planning:

Indonesia has much to be proud of. We have reduced poverty, and almost all children—boys and girls—can enter primary school. But, there is still a lot of work that needs to be done in other sectors. The maternal mortality rates are high and this has to be addressed soon.

Environment is another area where progress is needed. Although we have already achieved quite a lot, we need to work harder than ever to reach all the MDG targets.<sup>1</sup>

Indonesia's economy grew by 6.3 per cent in 2007 but this was still not high enough to significantly reduce unemployment, which stood at 9.1 per cent at the end of the year. Inflation was 6.9 per cent in October 2007, continuing to rise to a 16-month high of 7.4 per cent in February 2008. (An even greater increase is forecast for 2008.) A new investment law was passed in March 2007, which aims to improve the overall investment environment, and Indonesia made progress on improving the environment for business activity.<sup>2</sup> Corruption remains a significant problem. Indonesia ranks 143 out of 180 countries in the 2007 Transparency International Corruption Perceptions index.<sup>3</sup>

The World Bank has estimated that annual economic growth of 7–8 per cent in Indonesia would halve the proportion of people living below the national poverty line by 2015. But analysts are expecting Indonesia's economic growth to remain around 6 per cent in 2008 because of continuing international economic volatility and high commodity prices, including for food and oil. Indonesia will need to find other ways to alleviate poverty.

The 2007 Millennium Development Goals report says Indonesia is making steady progress towards achieving the goals. The nation is making progress against MDG 1—to halve the number of people living on less than US\$1 a day by 2015.<sup>4</sup> However, the rise in world food and fuel prices means Indonesia will continue to face significant challenges in combating poverty. The proportion of people living on less than US\$1 a day in 2007 was 16.6 per cent, an improvement on the 2006 level of 17.8 per cent. However, 49 per cent of the population still lives on US\$2 a day or less.

<sup>1</sup> Badan Perencanaan Pembangunan Nasional (Indonesia Ministry for National Development Planning) (BAPPENAS) and United Nations Development Programme (UNDP), *Let's speak out for MDGs: achieving the Millennium Development Goals in Indonesia 2007/2008*, December 2007.

<sup>2</sup> <http://www.doingbusiness.org/ExploreEconomies/?economyid=90>.

<sup>3</sup> [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2007](http://www.transparency.org/policy_research/surveys_indices/cpi/2007).

<sup>4</sup> US\$1 a day is less than half of Indonesia's national poverty line according to *Let's speak out for MDGs*.

Indonesia is on track to achieve the MDGs for primary education enrolment and literacy, and for eliminating gender disparity in primary education. However, while enrolment rates at primary school are high (94.7 per cent), completion rates are much lower (around one-quarter of children do not graduate from primary school). Fewer students enrol in junior secondary school than in primary school (67 per cent compared with 95 per cent), but enrolments are increasing slowly and the goal is likely to be met.

Indonesia is also on track to reduce gender disparity in education, given that primary and junior secondary enrolments are quite equal for boys and girls and nationally literacy rates are almost 100 per cent for both. However, it is less likely to achieve the MDG to reduce maternal mortality. Major challenges remain in promoting gender equality in areas such as women's participation in the workforce, women's representation in management and leadership positions (for example, only 14 per cent of higher public service positions are held by women, and only 11 per cent of MPs are women) and reducing violence against women.

Indonesia has already met the MDG to improve sanitation and has the potential to achieve the goal for access to an improved water source. Efforts to reduce child mortality and control the incidence of malaria are slow. Indonesia is not on track to reduce hunger and child malnutrition or halt the spread of HIV. Indonesia's Medium Term Development Plan is consistent with the MDGs, making progress towards the MDGs the closest measure available of progress against the plan.

Regional disparities remain a concern. For example, the estimated national maternal mortality rate is 307 deaths per 100 000 live births; yet estimates for the Papua region are 1116 deaths and Nusa Tenggara Timur 554. The national estimate for people living with HIV is between 100 000 and 290 000, and the Papua region is already experiencing a generalised epidemic. School enrolment rates also highlight regional disparities. Central Kalimantan has the highest level of children enrolled in primary school (96 per cent) and Papua the lowest (only 78 per cent).

Indonesia also has the highest record of avian influenza cases and reported deaths from it around the world, and has low capacity to deal with the threat of pandemic influenza. There were 59 confirmed deaths in the world in 2007, and 37 of these occurred in Indonesia. Indonesia will also remain vulnerable to environmental disasters due to its location in a region of geothermic instability. Two earthquakes only two hours apart struck the island of Sumatra on 6 March, killing at least 70 people. On 12 September, another earthquake hit Sumatra killing more than a dozen people.

Indonesia hosted the United Nation's climate conference in Bali in December 2007 and this led to an agreement known as the 'Bali Roadmap' to combat climate change. Indonesia is already experiencing environmental change, including drought, flooding and unseasonal rains, which are having an impact on rural productivity.

Security in Indonesia has continued to improve, and Indonesia is making good progress in combating terrorism.

Communal tensions and the risk of escalation into conflict remained a concern, and there is an ongoing threat of deteriorating security in post-conflict areas such as the Aceh and Papua regions.

Australia is now the largest grant-based donor to Indonesia and total development assistance spending in 2007 was approximately \$339.1 million. Australia has budgeted \$458.8 million for the fiscal year 2007–08 and \$462 million for 2008–09. Australia's contribution represents less than 0.5 per cent of Indonesia's total budget. According to the Paris Declaration survey conducted in February 2008, 33 per cent of Australia's aid to Indonesia was technical assistance and 18 per cent of that was funds spent in cooperation with other donors.

## 2 What are the results of the Australia–Indonesia aid program?

2007 was a year of consolidation. The development of the Australia Indonesia Partnership country strategy for 2008–13<sup>5</sup>, and a performance assessment framework to measure the program's impact, set the future direction for the program. Responsibility for implementing the program moved to Jakarta, with corresponding changes in governance, management, corporate support, communication, coordination and workforce arrangements. The tragic loss of Minister Counsellor Allison Sudradjat in a plane crash in March 2007 impacted the leadership of the program but, due to the immense professionalism and dedication of staff, the challenges to program management and implementation were minimised and progress was made towards achieving objectives.

Despite considerable progress since the last annual program performance update there are still gaps in performance assessment and reporting skills and monitoring and evaluation systems. This inhibited AusAID's ability to report effectively against objectives.

The initiatives reviewed in this report are evaluated against the objectives of the new country strategy because of its relevance to current and future development priorities. New objectives are defined with indicators, and this provides benchmarks for future reporting.

### OBJECTIVE 1:

TO IMPROVE NATURAL RESOURCE MANAGEMENT, ENVIRONMENTAL GOVERNANCE AND RESPONSE TO CLIMATE CHANGE

### RATING

■ The objective will be partly achieved within the timeframe.

### ASSESSMENT OF RESULTS AND PERFORMANCE

#### Major achievements

The Kalimantan Forests and Climate Partnership to reduce greenhouse gas emissions from deforestation and degradation, a joint project with the Government of Indonesia, will be the first demonstration activity of its scale anywhere in the world.

<sup>5</sup> AusAID, *Australia Indonesia Partnership country strategy 2008–13*, Australian Agency for International Development, Canberra, June 2008.

## **Justification**

Achieving demonstrated greenhouse gas emissions reductions from reduced land clearing is a long-term goal. However, with Australian support and collaboration with other donors, strong foundations have been established to support the International Forest Carbon Initiative, which is in the early stages of development. The Government of Indonesia has indicated its desire to be one of the global leaders in this area of work and Australia's early pledge of financial support, along with the provision of well-targeted technical input, has positioned Australia as a partner to Indonesia in pursuit of this goal.

## **Key factors contributing to and hampering success**

Indonesia hosted the meeting on the United Nations Framework Convention on Climate Change in Bali in 2007. The Government of Indonesia's commitment to responding to climate change was a factor contributing to the success of this objective. There is strong donor support, coordination and harmonisation, including with a financing mechanism for policy development. Tangible commitments and Australia's comparative advantage in carbon monitoring will also contribute to achieving this objective.

Progress against this objective was slower than expected because of the highly complex nature of the issues involved (for example, possible large income flows and future carbon constraints). The challenge of joint management and implementation of the International Forest Carbon Initiative by two Australian government agencies (AusAID and the Department of Climate Change) impacted on decision-making processes. The Government of Indonesia is continuing to develop a policy on climate change, which progressed slowly because of the need for decision making among various government departments. In addition, there have been unavoidable delays in obtaining the appropriate resources for such a technically complex program.

## **Key results**

Indonesia, Australia, the United Kingdom, Germany and the World Bank have together provided financial and technical support to the International Forest Carbon Initiative. Through this alliance Indonesia has developed a body of analytical work on reducing emissions from deforestation and degradation, which helped to inform its policy position and placed Indonesia in front of the developing world.\* A series of workshops funded through the International Forest Climate Alliance has strengthened cooperation and consultation between national and provincial governments on reducing emissions from deforestation and degradation. This has set a foundation for successful communication and coordination between Australia and Indonesia, such that Indonesia considers Australia to be the lead donor on reducing emissions.

The Kalimantan Forests and Climate Partnership to reduce emissions from deforestation and degradation was announced in September 2007 and will be one of the first

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\* Items marked with an asterisk (\*) relate to indicators in the country strategy's performance assessment framework.

demonstration activities of its scale anywhere in the world. It is currently being scoped and, as such, it is too early to report on measurable reductions in greenhouse gas emissions, or greater areas of protected forests or reforestation.

#### ESTIMATED EXPENDITURE

About 2 per cent (\$5.7 million) of Australia's expenditure for Indonesia in 2007 was for the environment and climate change objective.

#### OBJECTIVE 2:

TO IMPROVE ECONOMIC POLICY AND STRENGTHEN ECONOMIC MANAGEMENT AT THE CENTRAL LEVEL

#### RATING



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

#### ASSESSMENT OF RESULTS AND PERFORMANCE

##### Major achievements

- > With the support of Australia and other donors for improved tax collection, Indonesia's non-oil income tax revenue increased from 3.6 per cent of gross domestic product in 2005 to 5.7 per cent in 2007.\*
- > Support for Indonesia's highly regarded research organisation, the Social Monitoring and Early Response Unit Research Institute (SMERU), contributed to the production of high-quality research focused on poverty, gender, social protection and welfare. SMERU research influenced the development of Indonesian government policy on traditional markets and will be used to measure the success of government programs such as 'Rice for the Poor'.

#### Justification

Australia's support for Indonesia's efforts to improve economic policy and management has contributed to the country's good overall economic performance. For example, Indonesia has maintained significant and steady growth in taxation revenue and reductions in debt-financing costs, areas which have been a focus of Australian support.

The program has facilitated the development of economic policy links and high-level policy dialogue between the Indonesian Minister of Finance and selected Australian and Indonesian academics and policy makers with expertise in Indonesian economic development. The program has also promoted these links by supporting key economic

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\* Items marked with an asterisk (\*) relate to indicators in the country strategy's performance assessment framework.

agents for policy change, such as SMERU in Indonesia, whose analysis and research has influenced policy development in the areas of poverty, gender, social protection and welfare.

### **Key factors contributing to and hampering success**

Reform-minded leadership in key economic agencies, including the Ministry for Finance, was an important contributor to success. The partnership approach between Australian and Indonesian agencies and public sector practitioners was another important factor contributing to achieving this objective. As a result of these partnerships and Indonesian leadership, the program has been able to respond quickly to requests for support from Indonesian agencies. The program has high-quality advisors who have positive relationships with stakeholders in the Government of Indonesia. Engaging advisors for periods of 18 months or more contributes to their effectiveness.

Structural changes within the Government of Indonesia have slowed progress—for example, in the area of debt management. Better engagement by the Indonesia Government in the governance structure of activities and in support of the strategic oversight of the program could improve effectiveness. While there were good outcomes for individual activities, there remains a need to evaluate whether the most important economic policy areas requiring reform are being addressed.

### **Key results**

Support was provided by the Australian Taxation Office through the Government Partnerships Fund to the Directorate General of Taxation to establish the governance framework of its tax modernisation plan. The Directorate General–Budget has made progress towards effective implementation of a medium-term expenditure framework and performance-based budgeting.

Improved financial stability is being achieved through increased capacity of the Indonesian Capital Market and Financial Institution Supervisory Agency (Bapepam-LK) and of the new Fiscal Policy Office to undertake revenue and budget risk analysis.

SMERU and the Government Partnerships Fund supported the strengthening of policy making in the Government of Indonesia. Thirteen Australian government agencies and institutions partnered about 15 Indonesian counterparts and more than 1000 Australian and Indonesian officials exchanged expertise through activities funded by the Government Partnerships Fund.

### **ESTIMATED EXPENDITURE**

Ten per cent (\$32.8 million) of Australia's expenditure for Indonesia in 2007 was for the economic governance objective.

**OBJECTIVE 3:**  
**TO REDUCE CONSTRAINTS TO INFRASTRUCTURE AND PRODUCTIVITY GROWTH**

RATING

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

ASSESSMENT OF RESULTS AND PERFORMANCE

**Major achievements**

*Rural productivity*

- > Farmer productivity increased by 26 per cent (and income by 18 per cent) in targeted areas.

*Infrastructure*

- > As a result of substantially strengthened project preparation procedures in the Directorate General of Highways, improved procurement procedures and other support provided under the Eastern Indonesia National Roads Improvement Project civil works procurement is expected to commence in August 2008.

*Water and sanitation*

- > Household access to clean water in participating villages increased from 25 per cent to 77 per cent and access to sanitation from 24 per cent to 42 per cent.
- > The number of people with improved water access rose from 3.5 million to 4.5 million in 2007.\*
- > Of the 360 villages involved in the community-led total sanitation approach, 39 are now free of open defecation and 89 are 70–99 per cent free of open defecation.\*
- > Twenty-seven of 49 districts have developed water and sanitation strategic plans. Twenty-three plans are endorsed and integrated.\*

**Justification**

Poor infrastructure is constraining Indonesia's economic growth, productivity and international competitiveness. AusAID's water and sanitation programs have made significant inroads in addressing deficiencies, especially in poorer communities, and a complementary infrastructure program designed during 2007 will address broader economic infrastructure issues (such as transport and energy). The initiatives being implemented are performing well according to recent quality-at-implementation ratings and consultations with agencies and project management committees of the Government of Indonesia.

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\* Items marked with an asterisk (\*) relate to indicators in the country strategy's performance assessment framework.

## **Key factors contributing to and hampering success**

AusAID continued to work with multilateral organisations, which contributed to program success. For example, the Smallholder Agribusiness Development Initiative (SADI) consists of three separate but interdependent subprograms implemented by the World Bank, International Finance Corporation (IFC), and the Australian Centre for International Agricultural Research (ACIAR). Greater harmonisation of activity between aid agencies—for example, in road construction—was a feature of program implementation and contributed to AusAID meeting the commitments to aid effectiveness under the Paris Declaration.

The placement of an aid expert in the province of Nusa Tenggara Timur is helping to strengthen relationships with the Indonesian Government and other stakeholders and building AusAID's understanding of effectiveness at the provincial and district level. AusAID has good working relationships with other Australian government departments in several initiatives contributing to this objective—for example, ACIAR, which plays a key role in implementing market-driven agricultural research.

It is difficult to allocate resources in a targeted and strategic manner because of the broad spread of initiatives. The absence of a clear strategic vision has hindered the Decentralisation Support Facility, which aims to support governance and service delivery. AusAID has provided funding to support the facility's key initiatives, such as public expenditure analyses and related capacity building in Papua. While the Indonesian Government has demonstrated that it will use the facility to coordinate technical support for decentralisation, coordination between the facility and differing objectives and priorities across the Indonesian Government have impacted implementation so far.

## **Key results**

At least 13 AusAID initiatives contributed to this objective in 2007. To improve effectiveness AusAID narrowed the focus to road transport, water and sanitation and rural productivity through micro, small and medium enterprises. This created a more coherent program of activities to contribute to the objective. There were achievements in rural productivity, infrastructure, and water and sanitation.

SADI recruited and trained personnel and strengthened the effectiveness of the government's national poverty reduction program, the National Program for Community Empowerment (known as PNPM). Strategies were developed to integrate gender equality into the formulation, implementation and monitoring of SADI's subprograms. IFC-SADI signed a memorandum of understanding with a lead firm in peanuts, and negotiated with potential lead firms in other commodities, which will assist in raising rural incomes. It assisted the government in developing a negotiable warehouse receipts system to help increase smallholders' access to finance. SADI also provided information and training to small agribusinesses to increase their understanding of ways to achieve better access to markets.

AusAID began to establish the Indonesia Infrastructure Fund with a number of multilateral agencies and the Government of Indonesia to promote private sector participation in infrastructure.\* The approach of micro-policy reform used by the Water and Sanitation Policy Formulation and Action Planning Project (WASPOLA), led by the World Bank, is being adopted by other donor projects, a sign that it is highly effective.

Australia Nusa Tenggara Assistance for Regional Autonomy (ANTARA) was reoriented, resulting in close relationships with provincial and district governments. Provincial officials now cite ANTARA as a national model for development cooperation.

Addressing gender equality issues is a key component of this objective, especially for rural productivity, and gender equality principles have been built into initiatives such as SADI and ANTARA. Data collection on gender impacts will start in 2008.

#### ESTIMATED EXPENDITURE

About 21 per cent (\$72.2 million) of Australia's expenditure for Indonesia in 2007 was for the infrastructure and productivity growth objective.

#### OBJECTIVE 4:

TO STRENGTHEN HEALTH SYSTEMS TO ENABLE INDONESIA TO REACH THE MDG TARGETS FOR MATERNAL AND CHILD HEALTH, HIV/AIDS AND OTHER MAJOR DISEASES IN TARGETED POPULATIONS AND BETTER MANAGE AVIAN INFLUENZA IN TARGETED AREAS

#### RATING

- The objective will be partly achieved within the timeframe.

#### ASSESSMENT OF RESULTS AND PERFORMANCE

##### Major achievements

- > In collaboration with the United Nations Children's Fund in Papua, a clinical training facility has been supported to improve the quality of and access to service delivery.
- > With AusAID support, the University of Syiah Kuala in Aceh has implemented a new internationally recognised curriculum for medical training, improving the professional standards of 80 per cent of teaching staff.
- > New approaches to reducing the harm of injecting drugs have been adopted and replicated within the government system.
- > Australia contributed to the development and implementation of a national surveillance system for human cases of avian influenza, enabling early intervention to rapidly contain outbreaks.

\* Items marked with an asterisk (\*) relate to indicators in the country strategy's performance assessment framework.

## **Justification**

The health program is guided by Indonesia's Medium Term Development Plan, the strategic plans for the ministries of Health and People's Welfare and the new country strategy of the Australia Indonesia Partnership. The program focuses on maternal and neonatal health, health systems strengthening, HIV, avian influenza and emerging infectious diseases. Good results have been achieved with HIV and emerging infectious diseases, including increased commitment and funding from the Government of Indonesia for HIV activities and implementation of a national surveillance system for avian influenza, but there has been slower than expected progress in designing the two flagship programs for improving maternal and neonatal health, and strengthening health systems. This has hindered progress towards meeting this objective.

## **Key factors contributing to and hampering success**

All initiatives have been designed in partnership with the Government of Indonesia and are aligned with government strategies, systems and programs. Close relationships with the government at all levels are contributing to greater government ownership and leadership and aiding sustainability. However, limited capacity in some ministries is hampering progress, making implementation complex and resource-intensive. The withdrawal of donors engaged in the health sector is a worrying trend and could impact on the agency's capacity to scale up activities focused on HIV and maternal and neonatal health.

AusAID's approach has been to work at different levels and position the agency strategically at the national level to maximise opportunities for reform, focus on strengthening the health system as a basis for all AusAID interventions and strengthen the agency's engagement at district and provincial levels where there are greater opportunities to make a major difference.

Challenges, including staff recruitment, have slowed design processes for strengthening health systems and improving maternal and neonatal health, and delayed implementation. This has resulted in the need to continue the design process while implementing some activities, an approach that has stretched AusAID's resources. These cutting-edge initiatives require effective policy dialogue, relationship building, coordination with the Government of Indonesia, and innovative management arrangements.

## **Key results**

To improve maternal health services, the University of Syiah Kuala in Aceh developed and started using a problem-based learning approach to medical training in its curriculum. Eighty per cent of teaching staff were assessed as competent to acceptable Indonesian professional standards, ensuring that high-quality teaching contributes to the development of the health workforce.

Australia leads the multi-donor technical support group for the Making Pregnancy Safer team of the government of Nusa Tenggara Timur. AusAID supported the development of a manual to increase knowledge and understanding of gender equality among health care providers and community groups to improve health outcomes. The Ministry of Health is planning to use the manual across Indonesia.

Australia helped to strengthen the Government of Indonesia's capacity to lead and coordinate the development and implementation of a national HIV policy and program. A comprehensive prevention and treatment program for intravenous drug users was initiated through the public health systems in West Java, Jakarta.

#### ESTIMATED EXPENDITURE

About 7 per cent (\$24.8 million) of Australia's expenditure for Indonesia in 2007 was for the health objective.

#### OBJECTIVE 5:

#### TO IMPROVE QUALITY, ACCESS AND GOVERNANCE IN BASIC EDUCATION

#### RATING



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

#### ASSESSMENT OF RESULTS AND PERFORMANCE

##### **Major achievements**

###### *Access*

- > Australia directed \$78 million through the Indonesian Treasury to finance school construction, a significant step forward in working through government systems.
- > Australia handed over 194 new schools, 183 additional classroom blocks, and 39 replacement schools, all built with separate sanitation facilities for girls and boys, to the Government of Indonesia or Islamic educational foundations in 2007, providing an additional 73 000 places in primary and junior secondary schools.

###### *Quality*

- > Australia facilitated improvements in national policy, standards, quality assurance mechanisms, assessment, and instructional materials for formal and non-formal basic education.
- > Australia helped to increase literacy rates in targeted districts in Nusa Tenggara Timur from 42 per cent to 63 per cent in four years.

### *Governance*

- > As a result of extensive relationship building, the Government of Indonesia asked AusAID to provide policy advice and analysis, such as the *Education for all* mid-term report tabled by the President at the UNESCO General Conference in Paris in October 2007.
- > The Aceh Education Strategic Plan was adopted by the provincial parliament, endorsed by the central government and its objectives turned into law—to better focus resources on addressing priority service delivery constraints.

### **Justification**

AusAID made an important contribution in 2007 to increasing access to education nationally, improving the quality of service delivery, improving resource management in targeted districts and schools, strengthening education governance in Aceh, and cooperating more closely with other donors. However, there are issues that still need to be addressed in monitoring, sustainability and crosscutting country objectives.

Management identified and addressed a number of policy and strategy matters in 2007. The education program is being consolidated into fewer, larger activities that work through central, provincial and local government systems. AusAID strengthened planning, monitoring and reporting for its flagship activities—the Basic Education Program and the Learning Assistance Program for Islamic Schools. The agency has also joined other like-minded donors in working closely with the Government of Indonesia on new ways to coordinate support for the next phase of assistance from 2010. AusAID also worked closely with central and regional governments to design initiatives to strengthen education delivery systems in places where services are poorest.

### **Key factors contributing to and hampering success**

The education program, particularly the Basic Education Program, is closely aligned with the plans and systems of the Government of Indonesia. All initiatives are aligned with the procurement procedures and the transparency and anticorruption measures of the Indonesian and Australian governments. While this was challenging to achieve, it has contributed to effective program implementation.

However, varying capacity in counterpart ministries and institutions, slow site selection for private Islamic schools and inadequate planning for different geographic conditions led to delays in building schools and the program may not reach its target of 2000 schools by mid-2009.

The large number and wide geographic spread of activities is stretching AusAID's team and program contractors, making it even more difficult to achieve this objective. Several education initiatives designed years ago no longer fit development policies and strategies—

for example, the Nusa Tenggara Timur Primary Education Partnership, the Communities and Education Program, and the Aceh Education Assistance Project. They are being phased out.

### **Key results**

The school construction program is expected to improve gross and net enrolment rates at primary and junior secondary levels in the targeted districts. The impact will be analysed in 2008 when data for the school year are available. Schools were built with separate toilet facilities for girls and assistance was provided to the Indonesian Government to modify construction standards for schools to facilitate disabled access.

Australia has further assisted the Government of Indonesia to improve the quality of education through, for example, the development of standards, quality assurance, assessment and instructional materials. Tracking the percentage of schools and associated educational institutions and systems meeting national education standards in targeted districts will start in 2009.\* In addition, more than 500 scholarships were granted between 2002 and 2008 for education specialists and university professors to study in Australia.

Under the Basic Education Program, Australia supported the Gender Mainstreaming Unit within the Ministry of National Education. Initial achievements include a draft decree to establish a national working group for inclusive education, and the development of a national action plan. Further, under the Nusa Tenggara Timur Primary Education Partnership, the records of district education offices indicate a 79 per cent increase in the number of women in school principal and supervisory positions.

Australia has supported the Indonesian Government's ability to track the performance of the education sector and to use findings to inform resource allocation and financial management at national and local levels. AusAID activities at the national level (Basic Education Program, Learning Assistance Program for Islamic Schools), the provincial level (Aceh Education Assistance Project), and the district level (Nusa Tenggara Timur Primary Education Partnership, Aceh Education Assistance Project, Indonesia Australia Program for Basic Education) have strengthened the capacities of selected institutions delivering educational services to analyse performance and use the knowledge gained to inform policy. The Basic Education Program (through Contractor Strategic Advisory Services) has been tasked by various departments of government to prepare evidence-based policy briefs, which have subsequently contributed to policy change.

### **ESTIMATED EXPENDITURE**

Thirty-two per cent (\$108.8 million) of Australia's expenditure for Indonesia in 2007 was for the education objective.

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\* Items marked with an asterisk (\*) relate to indicators in the country strategy's performance assessment framework.

## OBJECTIVE 6:

TO IMPROVE CAPACITY, ACCOUNTABILITY AND RESPONSIVENESS OF LEGAL, DEMOCRATIC AND OVERSIGHT INSTITUTIONS AND PROCESSES

### RATING

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

### ASSESSMENT OF RESULTS AND PERFORMANCE

#### Major achievements

- > In response to the findings of the first large-scale national access and equity study of the Religious Courts in Indonesia the Supreme Court requested and for the first time the Ministry of Finance approved a 2008 budget figure of IDR29.2 billion for pro-bono cases and circuit court hearings in the 343 Religious Courts across Indonesia. This should increase access to justice for the poor, particularly poor women.
- > AusAID has secured some positive outcomes by helping human rights institutions and civil society actors to better understand and use human rights principles and instruments. AusAID, through the Legal Development Facility, has also focused on building the capacity of the regional offices of the National Commission for Human Rights to carry out their mandate in relation to promoting and protecting human rights.

#### Justification

During 2007 AusAID effectively implemented ongoing activities and developed a strategy to guide new policy and program development. The democratic governance program has been consolidated and has three main objectives: strengthening electoral processes, strengthening parliamentary processes and strengthening legal institutions and law-making processes.

Expectations for implementation in 2007 were met. Quality-at-implementation reports show ratings of adequate quality to achieve results.

#### Key factors contributing to and hampering success

The development of the new Australia Indonesia Partnership country strategy and Anti-Corruption Development Plan provided policy direction, enabling better program focus. The partnership between the Australian and Indonesian governments enabled good progress in the legal area.

Despite improvements, the coordination mechanisms of donors and the Government of Indonesia remained weak, resulting in fragmented planning, longer timelines and

increased risk of duplication. Within AusAID, a temporary reduction in staff had an impact on programs. This was complicated by the large number of cross-program initiatives managed by the team (volunteers, Public Sector Linkages Program, Direct Assistance Program, and regional liaison), limiting their focus on democratic governance.

### **Key results**

The Indonesian Attorney General's office publicly launched an ambitious reform plan\* with directives relating to prosecutor recruitment, career development, development training, code of conduct, minimum professional standards, and supervision. AusAID supported the program office that is helping to implement these reforms.

AusAID contributed to an analysis of training needs for staff development at the Corruption Eradication Commission, with the aim of building skills through training on the culture of corruption, typologies of corruption, evidence handling and management, surveillance, information handling and undercover work.\* Recent high-profile work and positive community recognition of the commission's work throughout the year suggests an increasingly confident and competent institution.

To build the capacity of Indonesia's Supreme Audit Board to conduct financial and performance audits, the Australian National Audit Office delivered training and seconded board staff to its office in Canberra. It also helped the board to implement pilot projects.

Each of the five regional offices of the National Commission on Human Rights of Indonesia formulated strategic plans and conducted surveys of regional conflicts and human rights violations. Additionally, all police forces are now required to have a special unit for women and children and compulsory gender training to build capacity in solving cases of violence against women.

Reports were published on Supreme Court decisions involving gender issues and a six-region survey of judicial approaches to violence against women was carried out.\*

More than 200 articles were published in Indonesian media referencing the People's Voter Education Network's activities and commentary. The network is now contributing more to public discourse on elections and increased community understanding of elections.\*

### **ESTIMATED EXPENDITURE**

About 5 per cent (\$17.2 million) of Australia's expenditure for Indonesia in 2007 was for the democratic governance objective.

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\* Items marked with an asterisk (\*) relate to indicators in the country strategy's performance assessment framework.

## OBJECTIVE 7:

TO IMPROVE PLANNING AND DELIVERY BY LOCAL AUTHORITIES, INCLUDING THROUGH STRENGTHENED PUBLIC FINANCIAL MANAGEMENT, AND IMPROVE CAPACITY OF COMMUNITIES TO DEMAND GREATER ACCOUNTABILITY AND BETTER ACCESS TO SERVICES

### RATING

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

### ASSESSMENT OF RESULTS AND PERFORMANCE

#### Major achievements

- > The capacity of 296 villages to plan their development was strengthened, resulting in community-based poverty mapping and the active participation of women and the poor in planning and community decision making.
- > The skills of 700 government officials in 17 subdistricts were expanded to enable them to deliver efficient and more accountable services to re-establish communities and to improve community welfare. The Ministry of Home Affairs is interested in replicating the model nationally.
- > Women were helped into leadership positions in local government in Aceh.

#### Justification

This objective aims to capture AusAID's contribution to building the capacity of subnational governments, including at village level. It includes the Government of Indonesia's National Program for Community Empowerment. Several AusAID initiatives across the program contribute to this objective, but the mainstay has been Local Governance and Infrastructure for Communities in Aceh, Australian Community Development and Civil Society Strengthening (ACCESS), and WASPOLA. The high to very high ratings of these activities together with preparatory work undertaken with Indonesia's Ministry for National Development Planning (BAPPENAS) to establish national sector steering committees and to design new activities justifies the 'on track' rating.

#### Key factors contributing to and hampering success

The Government of Indonesia is committed to decentralisation and is transferring more funds from the central level to the provincial levels of government than ever before. In 2006 it launched the first nationwide poverty reduction program, comprising the National Program for Community Empowerment and the Conditional Cash Transfer Program. The National Program for Community Empowerment has a clear strategic framework.

The Government of Indonesia is focusing on the administrative problems of decentralisation. However, the scale and complexity of decentralisation is immense. While Australia continues to help build capacity at the central and local levels for governance and community involvement, confusion remains about the appropriate division of authority and responsibilities between the different levels of government. Planning, budgeting and expenditure arrangements remain a challenge to effective service delivery.

### **Key results**

ACCESS supported the introduction of village regulations to sanction perpetrators of violence, which resulted in a reduction of domestic violence cases in two districts. An evaluation of the impact of ACCESS community development found significant positive changes in women's empowerment at the household and social level.

In Aceh, Australia helped 61 villages to map 20 000 land parcels to enable land titling to be re-established, homes to be rebuilt and planning for village development.

Under WASPOLA, a successful community-led water supply and sanitation program was implemented in 29 villages. The program raised community and local government awareness of sanitation and led to the construction of 1840 latrines. Twenty-seven districts have now completed strategic plans for their water supplies and sanitation requirements.

Much of the capacity building under this objective is being handled through training. Examples include:

- > providing leadership training to 26 women candidates in Aceh for the position of village head, resulting in two women being elected as the first women village heads in Aceh
- > supporting 604 villagers to manage small infrastructure projects
- > training 800 people in basic housing construction.

AusAID established a regional network of staff in outposted offices in Kupang and Government of Indonesia departments in Jakarta, Makassar and Kupang to support this objective.

### **ESTIMATED EXPENDITURE**

Twelve per cent (\$39.9 million) of Australia's expenditure for Indonesia in 2007 was for the local governance and decentralisation objective.

## OBJECTIVE 8:

### TO RESPOND TO AND REDUCE VULNERABILITY TO DISASTERS, HUMANITARIAN NEEDS AND COMPLEX EMERGENCIES

#### RATING

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

#### ASSESSMENT OF RESULTS AND PERFORMANCE

##### Major achievements

###### *Timeliness and effectiveness of Australia's response\**

- > The capacity of civil society and communities to respond to disasters was improved.\*
- > Sixty-seven members of Muhammadiyah, Nahdlatul Ulama and Surfaid were trained as community-based facilitators of disaster risk management, and disaster awareness training was delivered to target communities.

###### *Effectiveness and appropriateness of food aid delivery\**

- > Nutritional indicators among pregnant and lactating women and children under five in West Timor were significantly improved.

#### Justification

Australia is using an integrated, multi-pronged approach that is in line with both international trends and the policies of the Government of Indonesia. It has the potential to reduce requests for assistance, reduce the impact of disasters and build more resilient communities. The different impacts of disasters on women and men are addressed, and women are supported in their key roles in community disaster management and recovery.

The initial challenges and delays experienced are being addressed through innovative solutions (for example, establishing a warehouse of emergency stores in Jakarta to enable immediate response). Balancing the need for appropriate emergency responses with a long-term development program is challenging but the new plan for disaster management for Indonesia will help to ensure the program remains focused and on track.

#### Key factors contributing to or hampering success

In 2007 the program focused on reconstruction initiatives already under way and on activities to reduce and manage longer term disaster risk. Indonesia adopted a Disaster

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\* Items marked with an asterisk (\*) relate to indicators in the country strategy's performance assessment framework.

Management Bill and Strategic National Action Plan on disaster management in 2006–07, providing a positive and supportive environment for Australian engagement. Working with Muhammadiyah and Nahdlatul Ulama has built a solid platform for future engagement on disaster management.

Donor coordination in emergency responses is weak and the Government of Indonesia has limited capacity to address this. Australia is encouraging joint programming by the United Nations.

Within AusAID, there have been resource shortages in Jakarta for humanitarian and emergency initiatives. AusAID's Humanitarian and Emergencies Section has not been able to provide appropriate advisory support, and limited and unreliable funding has reduced its capacity to support core humanitarian partners and develop strategic interventions in high-priority areas.

### **Key results**

Australia is working to build the Government of Indonesia's capacity at central and provincial government levels. There is ongoing training of a rapid response team (first aid, rapid response, deployment equipment training and psychological testing) and the creation of a Jakarta emergency stores warehouse. The Australia Bali Memorial Eye Centre opened in October 2007, and Bali's provincial hospital was upgraded in response to the Bali bombings.

The ongoing Community Based Disaster Risk Management Program delivered through Muhammadiyah and Surfaid International has increased the capacity of communities to respond to disasters by facilitating information dissemination and community training in disaster preparedness. This has been achieved within the scheduled timeframe. More than 50 villages in 15 districts are covered by this program.

To provide effective and appropriate food delivery,\* Australia integrated disaster risk-reduction strategies across the program to address the needs of vulnerable people. AusAID, in conjunction with its partners, is considering ways to move beyond providing nutritional supplements to a more government-owned program that addresses the underlying causes of food insecurity.

### **ESTIMATED EXPENDITURE**

Six per cent (\$19 million) of Australia's expenditure for Indonesia in 2007 was for the humanitarian emergencies objective.

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\* Items marked with an asterisk (\*) relate to indicators in the country strategy's performance assessment framework.

## OBJECTIVE 9:

TO IMPROVE CAPACITY TO ENSURE TRANSPORT SAFETY AND SECURITY AND TO COUNTER THREATS FROM TRANSNATIONAL CRIME

### RATING

Performance against this objective has not been rated.

### ASSESSMENT OF RESULTS AND PERFORMANCE

#### Major achievements

##### *Aviation and maritime safety*

- > Australian air safety officers assisted Indonesia in conducting its first international-standard accident investigations into the Adam Air crash on 1 January 2007 and the Garuda air crash in Yogyakarta on 7 March 2007 and released the accident investigation reports.

##### *Detecting and managing illegal fishing*

- > ACIAR research and capacity building for Indonesian scientists assisted Indonesia to comply with international stock assessment practices and to become a member of the regional fisheries group, improving management of blue fin tuna stocks.

Ninety-five per cent of expenditure on activities under this objective was through the Department of Immigration and Citizenship, the Australian Federal Police, the Department of Foreign Affairs and Trade, ACIAR and the Department of Infrastructure, Transport, Regional Development and Local Government. As only 13 per cent of total expenditure towards this objective has been reported on it is not yet possible to rate the overall performance towards achieving this objective.

It is 'early days' for many of the activities designed to meet this objective, but significant progress has been made in building relationships between Australian and Indonesian government counterparts. Australia's position as the only donor to respond to Indonesia's request for assistance to improve its aviation safety has been greeted enthusiastically by Indonesian officials and led to the creation of the Indonesian Transport Safety Assistance Package.

Additional results in improving aviation safety, countering transnational crime, and managing illegal fishing include the following.

- > The Indonesian Director General of Civil Aviation issued notice to Adam Air to cease operating following assessment of some of its operational activities.
- > The Australian Transport Safety Bureau trained 60 officers from the National Transport Safety Commission in December 2007.

- > Operational successes against transnational crime included the arrest of counterterrorism targets, disruption of people-smuggling operations, detection and disruption of drug syndicates and detection of child sex tourism suspects.
- > The Australian Embassy in Jakarta delivered a public information campaign and cooperative enforcement activities against illegal Indonesian fishing.
- > Indonesia has the capacity to comply with international stock assessment practices for regional fisheries management due to ACIAR research and capacity building for Indonesian fisheries scientists. As a result Indonesia will become a member of a regional fisheries group, which includes Japan, New Zealand and Australia, to improve management of southern blue fin tuna stocks.

#### ESTIMATED EXPENDITURE

Six per cent (\$18.7 million) of Australia's 2007 budget for Indonesia was spent on the transport security and transnational crime objective.

### 3 What is the quality of AusAID activities in Indonesia?

AusAID is improving its ability to articulate results and measure the impact of its work, and is investing in processes that will enable the agency to better measure success over time.

Using the Quality Reporting System (entry, implementation and completion) 91 per cent of initiatives (41 of 45) were rated as satisfactory on their likelihood of achieving objectives (rating 4, 5 and 6). Of these, 20 initiatives require improvement.<sup>6</sup>

The quality-at-implementation ratings remained consistent with those in 2006, with 92.5 per cent satisfactory in 2006 and 91 per cent satisfactory in 2007. However, about half still require further improvement. The introduction of the quality-at-entry check has increased the percentage of new initiatives with high-quality monitoring and evaluation frameworks.

#### STRENGTHS

Higher ratings are associated with initiatives that have some Indonesian government ownership and are closely aligned with country priorities. The culture of cooperation and partnership with other stakeholders, particularly donors, is also shown to contribute to success.

Flexibility and responsiveness are strengths of the program that are valued by the Indonesian Government. These characteristics are important in being able to respond quickly to emerging needs and priorities, including potentially scaling up the program.

Another strength is whole-of-government engagement in the aid program. AusAID and other government departments have invested in quality staff and advisors. Australia has increased the number of advisors in Canberra and Jakarta to expand the expertise available to the program. Whole-of-government engagement draws on the strengths of individual Australian agencies and provides expertise to the Government of Indonesia. The participation of other government departments in the aid program has increased Australia's capacity to contribute to development and capacity building. The Australian Government's commitment to longer term partnerships is a strength. As the Indonesia program has grown, the size of the investment has led to greater efficiencies and more credibility with the Government of Indonesia.

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<sup>6</sup> A rating of 4 is a special category that is considered satisfactory but still requires improvement.

## WEAKNESSES

The performance assessment framework for the country strategy was developed during the year and clarified sectoral objectives and methods to track results. This development allows baseline data and targets to be established to enable managers to measure the achievement of strategic outcomes.

To measure program progress, greater use needs to be made of information drawn from systems of the Government of Indonesia. This will require better understanding of Indonesian systems and strengthening of Indonesian monitoring and evaluation.

## GENDER EQUALITY

As a key step in raising the profile of gender equality across the Indonesia program in 2007, the program undertook a trial of ratings for gender equality in its quality-at-implementation reports. The results indicated that understanding of how to effectively address gender equality within initiatives varies across the program. There was often insufficient evidence and clarity about how the initiative helped to promote women's equality, as well as difficulty in defining outcomes. Some ratings seemed overly positive. However, in a few cases, such as the Basic Education Program and the HIV/AIDS Prevention Care Project, performance on gender equality may have been under-rated.

The process of including gender equality in quality-at-implementation reports was a beneficial exercise—increasing awareness of the contribution gender equality can have in achieving successful outcomes. It further stimulated discussion and consideration of gender equality more broadly and how it is addressed within each initiative.

To further strengthen the integration of gender equality principles across the program, a gender action plan is being developed to provide direction to program areas on implementing the gender objectives of the new country strategy. Gender equality is also being addressed in sector plans and performance frameworks for education, governance, health and HIV, which are identified as priority sectors for advancing gender equality in the new country strategy. In 2008–09, training on gender equality principles will be provided to Indonesia program staff.

## ANTICORRUPTION

The goal of Australia's anticorruption assistance in Indonesia is to improve economic and social development by sustainably reducing corrupt behaviour. With significant input from Indonesian and Australian government agencies the Australia Indonesia Anti-Corruption for Development Plan 2008–13 was being prepared in 2007. It identifies the areas of focus for Australian assistance over the next five years and supports the Indonesian Government's anticorruption agenda.

In 2004 the Indonesian Government was elected on a strong anticorruption platform. Indonesia has a reasonably strong legal and institutional framework around anticorruption. While some high-profile gains have been made, corruption remains an issue.

#### KEY ACHIEVEMENTS OF ANTICORRUPTION EFFORTS

- > Australia supported Indonesia's regime to counter money laundering by improving regulatory compliance and significantly increasing the number of suspicious transaction reports.
- > The Australian National Audit Office worked with the Indonesian Supreme Audit Board to pilot new financial and performance audit approaches and to strengthen its oversight capacity.
- > Australia facilitated a relationship between the mayor of Kupang and the Corruption Eradication Commission on good governance reforms. This was a successful pilot for the 'islands of integrity' model of local good governance, which Australia plans to expand in coming years.
- > The Legal Development Facility strengthened the investigative capacity of the Corruption Eradication Commission, through training on culture and typologies of corruption, evidence handling and management, surveillance and undercover work. The facility also helped the Supreme Court to improve the transparency of its decisions and the management and capacity of judges and court staff.
- > The roads and education construction programs have incorporated state-of-the-art anticorruption action plans based on World Bank systems. The plans assess corruption risks around disbursement and procurement and identify mitigation measures and accountability mechanisms such as audit and public oversight.

#### SCHOLARSHIPS

Scholarships support all program objectives by filling gaps in skills and developing future leaders. The scholarships program consists of the Australian Development Scholarships and the Australian Leadership Awards that offer targeted postgraduate study and leadership development. In 2007, 270 Australian Development Scholarships were granted to Indonesians, focusing on new priority areas such as the environment and communicable diseases. A total of 29 Australian Leadership Awards were granted to Indonesians, the largest number for any participating country. Whole-of-government engagement continues to grow as more departments participate in nominating and selecting recipients of awards and as the Department of Education, Employment and Workplace Relations contributes to promoting the scholarships in Indonesia.

More than 95 per cent of the Australian Development Scholarship alumni return to Indonesia permanently and 85 per cent of them return to their original workplaces. A study of scholarship alumni conducted in early 2008 showed a strong correlation

between satisfaction with the area of study and the likelihood of the scholar remaining with their pre-study employer, indicating selecting an appropriate area of study is important. There appears to be some labour mobility in the long run, with a small but not insignificant number of the scholarship alumni leaving the public service for private sector employment.

The value of the scholarships is demonstrated by the support of the agencies awarded the scholarships and the success of scholarship alumni. For example, the Indonesian Department of Foreign Affairs has been awarded 101 scholarships since 1999, representing about 7 per cent of the Indonesia diplomatic core. Several alumni have shown strong leadership and risen to more senior positions, including the current Indonesian Ambassador to the United Nations.

By 2009 approximately 10 per cent of the staff of the Indonesian Capital Market and Financial Institution Supervisory Agency and around 36 per cent of the staff with Masters degrees will be scholarship alumni. These are high percentages and the impact of these numbers will be evaluated in coming years.

The scholarships program seeks to provide equal numbers of scholarships to women and men. Post-award impact surveys do not show an obvious gender bias in alumni employment and promotion. Attracting equal numbers of women and men from the public sector remains a challenge because of the general gender imbalance in the Indonesian public sector.

## PARTNERSHIPS

To date, the focus of the Indonesia program has been on Australia engaging the Government of Indonesia and other donors on a sector or activity basis. While ongoing engagement with other donors has been strong, there has been no systematic donor approach to using and strengthening the systems of the Government of Indonesia.

Formal mechanisms to institutionalise long-term sustainable relationships between Australia and Indonesia have been progressively developed, particularly since the 2004 Indian Ocean tsunami. One significant mechanism has been the Government Partnerships Fund of the Australia Indonesia Partnership for Reconstruction and Development, worth around \$10 million in 2007 alone. Since 2005 this fund has involved 13 Australian agencies and 15 Indonesian government agencies. In 2007 the fund covered the costs of 108 work placements between counterpart institutions in Indonesia and Australia, provided training for 1032 Indonesian officials and provided for two Australians seconded to Indonesian agencies. The fund has strengthened institutional relationships between Australian and Indonesian agencies. However, weak monitoring and evaluation systems and the lack of clear development objectives hindered the ability of the program to report on development outcomes resulting from the fund.

The country strategy states that Australia will increasingly use Indonesian government systems to deliver aid, with rigorous risk analysis and management. Some examples of ways AusAID has used Indonesian government systems follow.

- > Community groups in Aceh and Eastern Indonesia have been assisted to hold local government accountable for service delivery.
- > Loans programs for the Basic Education Program used the procurement system of the Government of Indonesia and a community-based implementation approach to ensure there are ‘enough eyes’ on the system.
- > The roads program used the World Bank procurement guidelines.

Australian efforts to enhance donor harmonisation included the following.

- > Technical assistance was provided for the Government of Indonesia’s new performance and evaluation agency and for mechanisms to enhance harmonisation and coordination of 21 bilateral donors, initially in sectors relating to education, poverty reduction, decentralisation and climate change.
- > Support was provided for the Decentralisation Support Facility—a multi-donor office supporting the decentralisation of core government services, including health and education. Focus areas to date have included intergovernmental fiscal transfers, approaches to support work in a decentralised framework and mapping the work of all donors on issues related to decentralisation. AusAID supports officers of the Decentralisation Support Facility in Makassar and Jakarta.
- > In health, Australia has become the lead donor following a withdrawal of other donors from the sector. AusAID works with the United Nations Children’s Fund, the United Kingdom’s Department for International Development, the World Bank, the World Health Organization and GTZ.
- > In rural development and infrastructure, donor partners are the World Bank and the International Finance Corporation.
- > In the humanitarian sector, support is channelled to UN agencies (such as the World Food Programme and the United Nations Office for the Coordination of Humanitarian Affairs) and local non-government organisations (Muhammadiyah and Nahdlatul Ulama).