



Aid Program Performance Report 2012–13 Indonesia

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Key messages

This report summarises the Australian aid program's progress in Indonesia from 1 January 2012 to 30 June 2013. The primary purpose of the report is to assess Australia's contribution to Indonesia's development progress in the key sectors in which Australia works.

- > The Australian aid program in Indonesia is the largest bilateral grant program, but equivalent to only around 0.3 per cent of the Indonesian Government's budget.
- > The program works to Indonesian Government development priorities.
- > The program spent a total of \$887.7 million over the reporting period, including \$823.5 million delivered by AusAID¹ and \$64.2 million by other Australian Government agencies, leading to key results during the reporting period in:
 - health – maternal deaths in the areas we work are decreasing in contrast to the rest of Indonesia where national rates are stagnant
 - water and sanitation – 600 000 people received access to safe water and 300 000 to basic sanitation
 - economic governance – Australian advice has been key on critical policy issues such as fuel subsidy reform, budget execution blockages and current account deficit
 - social protection – the growth rate in real per capita consumption is 11.8 per cent higher in supported than non-supported communities. A total of 16 600 children have been immunised
 - law and justice – 460 000 legal decisions have been published online, an increase from 123 000 in December 2011. An annual report was published by public prosecutor's office for the first time in 2012
 - elections – Australia supported Indonesia's general elections commission to develop an accurate list of approximately 190 million voters
 - decentralised governance – 80 per cent of district governments were supported in the provinces of Nusa Tenggara Barat (the province of West Nusa Tenggara), Nusa Tenggara Timur (the province of East Nusa Tenggara), South Sulawesi and Southeast Sulawesi to apply participatory approaches to public policy making and budgeting
 - rural livelihoods – 94 000 poor women and men gained access to agricultural technologies, and 76 000 increased their incomes
 - disaster risk management – Indonesia's national disaster management agency was supported to train 388 disaster managers in eight provinces
 - scholarships program – 448 Australia Awards scholarships for long-term study and 26 Australia Award leadership awards were provided to Indonesians with outstanding leadership potential. The awards are promoting knowledge, education links and enduring ties between Australia and Indonesia.

¹ In November 2013 AusAID was integrated into the Department of Foreign Affairs and Trade (DFAT). In this report, 'AusAID' is used to refer to the achievements and performance of the agency prior to the integration. 'DFAT' is used to refer to the future aid commitments of the integrated department.

- > Management responses to key issues identified during the reporting period include:
 - extending the current Australia–Indonesia Partnership Country Strategy (2008–2013) for a year to align with the timing of Indonesia’s next five year medium-term development plan, to be developed after Indonesian national elections
 - developing delivery strategies for infrastructure and other sectors. This follows an Australian National Audit Office report which found the need for an infrastructure delivery strategy to guide DFAT support to the sector and improve measurement of program outcomes
 - strengthening cross-sectoral programming, coordination and collaboration
 - further strengthening DFAT staff evaluation capacity through the evaluation capacity building program.

Context

The Australian development program is focused on supporting Indonesia to remain a stable, democratic and increasingly prosperous country. We do this through activities that tackle poverty at the community level, promote macro-economic reforms, encourage greater transparency and governance at national and sub-national levels, and support disaster risk reduction and mitigation. We have initiatives in 14 sectors across all 33 Indonesian provinces:

- > education
- > health
- > transport and connectivity
- > water and sanitation
- > economic governance
- > social protection and community driven development
- > law and justice
- > elections
- > decentralisation
- > rural livelihoods and agribusiness
- > bureaucratic reform
- > disaster risk management
- > climate change
- > scholarships.

A core focus of the program is Eastern Indonesia where the poorest communities are located.

The department works with the Indonesian Government to target our program so that it aligns with government priorities and supports Indonesia to meet the Millennium Development Goals. Increasingly this means helping to deliver services to the poor and supporting better policy making. We aim to leverage government resources to deliver the greatest impact to the largest number of poor people, at the same time as supporting the government to improve its policy, economic and democratic processes. This is a relatively resource-intensive way to deliver aid but is necessary given the nuances of dealing with poverty alleviation in a middle income country context, and the fact that the Australian aid program is a tiny proportion of Indonesia’s own budget.

Economic growth in Indonesia remains strong, but is slowing. The Indonesian economy grew by 6.2 per cent in 2012, slightly lower than the 6.5 per cent growth recorded in 2011. The World Bank projects steady growth for Indonesia of 6.2 and 6.5 per cent for 2013 and 2014 respectively. Inflation has been moderate, with the consumer price index increasing by 4.3 per cent in 2012. Food price increases have been an important driver of inflation over the last year, which tends to have a disproportionate impact on the poor.

Overall macroeconomic indicators remain healthy, but a significant current account deficit is emerging reflecting slowing exports. The current account deficit for 2012 widened to 2.7 per cent of gross domestic product (GDP), up from a surplus of 0.2 per cent in 2011. This makes the economy dependent on foreign capital inflows, which remain strong. However, if this were to change, a significant impact on the currency would be expected. The recent downgrade in Standard & Poor's rating of Indonesia's debt from 'positive' to 'stable' reflects a general sentiment that, while the prospects for consumer driven growth remain strong, there are significant risks ahead.

Growth has been correlated with continued rapid urbanisation. Over the past 40 years, Indonesia has urbanised more rapidly than most other countries in the region, with over 50 per cent of the population now living in areas classified as urban. The urban population has grown from 85 million in 2000 to 118 million in 2010, an increase larger than the total population of Australia. However, Indonesia has been less successful than countries such as China and Thailand in reaping the potential economic benefits of agglomeration. The proportion of urban residents living in poverty averaged 8.6 per cent in September 2012, but varied considerably by region. In total, they account for more than one-third of Indonesia's poor. Women and children are among the most vulnerable. While women actively contribute to the national and household economy, they are excluded from many decision-making structures and processes at the family, local and national level. In the 2010 Gender Development Index Indonesia ranked 108 out of 166 countries. This ranking reflects a combination of a lower literacy rate for women and fewer years of schooling, a smaller share of earned income, one of the highest maternal mortality rates in the region, and political under-representation.

Notwithstanding the policy challenges outlined above, investment and consumption driven growth has continued to reduce poverty, with 11.7 per cent of the population, or 29 million people,² living below the Indonesian national poverty line of IDR259 520 or \$25 per person per month. However, the rate of reduction of poverty is slowing—the average yearly reduction since 2007 has been 0.9 percentage points but it fell by only 0.5 percentage points in the year to March 2012. Moreover, the evidence suggests that rapid growth has been accompanied by a trend of widening inequality. Indonesia's Gini index has risen from 0.30 in 2000, to 0.37 in 2009, and 0.41 in 2012.³ Assessments continue to identify that almost half of the Indonesian population (111.8 million people) lives on less than USD2 a day,⁴ with tens of millions on just a little more. An Indonesian child under five is seven times more likely to die than an Australian child and one in three Indonesian children under the age of five suffer from stunting due to malnutrition. Indonesia's maternal mortality rate is 220 per 100 000 live births—around 30 times higher than Australia's and considerably worse than other countries in East Asia (44 per 100 000 live births). Indonesia has one of the fastest growing HIV epidemics in South East Asia, with HIV infection rates in Papua and West Papua rising rapidly. Nationally, 46 per cent of the population still does not have access to proper sanitation, and in rural areas the rate is 61 per cent.

² BPS Indonesia, September 2012.

³ Indonesia Economic Quarterly, World Bank, March 2013.

⁴ Australia's International Development Assistance Program 2013–14: BUDGET; Statement by Senator The Hon Bob Carr, Minister of Foreign Affairs, 14 May 2013.

Energy subsidies remain a major drain on the government budget. These have swollen substantially, particularly the fuel subsidy, which represented over 20 per cent of central government expenditure in 2012 (more than capital and social expenditure put together). The fuel subsidy was allocated IDR137 trillion (\$13.7 billion) in the 2012 revised budget, but actual spending was IDR212 trillion (\$21.2 billion). For 2013, the subsidy has been budgeted at IDR194 trillion (\$19.4 billion), but the World Bank predicts that IDR232 trillion (\$23.2 billion) of expenditure will be realised. This unsustainable and regressive subsidy is creating economic uncertainty. Policy makers are worried about the inflationary impact as prices rise to reflect world prices for oil. The president intended to raise the price in April 2012, but was blocked by parliament. At this time, it remains to be seen whether the parliament will approve the government's proposed compensation mechanism to allow a reduction in the fuel subsidy in 2013.

Economic policy has taken a strongly nationalist turn in the run-up to the presidential and parliamentary elections in 2014. A range of trade restrictions has been introduced, notably in beef and horticulture, which have caused temporary spikes in local prices. The mining sector in particular has suffered from extreme uncertainty with new regulations banning the export of ore from 2014, a new 20 per cent tax on the export of ore, new rules requiring minerals to be processed before export, and new rapid divestment requirements for foreign investors. The Fraser Institute now ranks Indonesia as having the worst mining policy environment of the 96 jurisdictions it measures.

Corruption continues to be a major problem for Indonesia, with a spate of major corruption cases in the media. The Corruption Eradication Commission appears to have been effective in uncovering and prosecuting corruption of some senior officials over the last year. For example, in January 2013 the Supreme Court sentenced former Partai Demokrat treasurer and house sport commission member Muhammad Nazaruddin to seven years jail for bribery relating to state procurement projects ahead of the Southeast Asian Games.

Indonesia's ability to track conflict has improved, but in the past 18 months localised conflicts and violence remain high. In the short term it is difficult to know whether increased levels of conflict represent actual increases, or just improvements in reporting. During this period, violent incidents were dominated by criminality (58 per cent) followed by conflict (31 per cent), domestic violence (eight per cent) and violence during law-enforcement (four per cent). Several significant incidents during this period include resource-related violence, identity-related conflicts and separatism-related conflicts. There has also been an increase in incidents of religious intolerance. For example in August 2012, 500 Sunni Muslims led an attack in Sampang, Madura, killing one Shiite Muslim and setting fire to more than 30 homes. Safety and security issues remain concerns that impact the delivery of Australian aid.

As Indonesia continues to transform itself into a fully democratic state, the quality and capacity of local governments to deliver services to citizens is the proof that democracy works. Unfortunately, political and technical issues often constrain local governments from performing effectively, and citizens from demanding their rights. Weaknesses at the sub-national level such as limited capacity of government service units and quality of local infrastructure have serious implications to the way aid is delivered, particularly in remote areas such as Aceh, Nusa Tenggara Timur, Papua and West Papua.

Of the bilateral and multilateral donors working in Indonesia, Australia is the largest bilateral grant donor (Japan's bilateral aid, while large, is mostly in the form of concessional loans). Despite the size of the Australian aid program (see expenditure tables below) it still only represents 0.3 per cent of the Indonesian Government's budget. In a tighter international fiscal environment Australia is one of the few donors with a growing aid program in Indonesia, although in April 2013 the Indonesian Compact of the US Millennium Challenge Corporation committed USD600 million over five years working on nutrition, green growth and government e-procurement.

The Indonesia program has strong relationships with a range of partners. Australia's collaboration with the World Bank, the largest multilateral development partner with \$55.7 million disbursed in 2012–13, is extensive. Primarily the work covers areas of transport and infrastructure, social protection, and water and sanitation. More broadly Australia also works with the Asian Development Bank investing in wastewater master plans in eight cities, and with United Nations partners such as the United Nations Children's Fund, International Labour Organization, Office for the Coordination of Humanitarian Affairs, and United Nations Development Programme.

Australian development cooperation activities outside of DFAT are delivered by 10 other federal Australian Government departments, as well as state and territory governments. In 2012–13 these departments delivered a total of \$34.9 million in development assistance to Indonesia—a \$9 million decrease from 2011–12. Outside of AusAID, the largest Australian aid delivery departments in 2012–13 were the Department of Immigration and Citizenship the Department of Foreign Affairs and Trade, and the Australian Centre for International Agricultural Research.

Looking forward, much attention is now focused on the Indonesian presidential and parliamentary elections in 2014. There has been extensive speculation about the candidates, since the current president cannot stand again. Indonesia's electoral system requires candidates to be nominated by parties (or coalitions of parties) that represent at least 20 per cent of seats in parliament or 25 per cent of votes. Parties and candidates are therefore jockeying for position, with many still undeclared about who their candidates will be.

In early 2013 the Indonesian Government requested that Australia delay the finalisation of the new Australia–Indonesia Partnership Country Strategy to allow alignment with the new Indonesian Government medium-term development strategy, which will be released in 2015 following the Indonesian elections. Australia has agreed to this request and will continue to operate under the 2008–2013 Australia–Indonesia Partnership Country Strategy until early 2015, when a new five year country strategy will be published that aligns with the Indonesian Government's new five development plan.

Expenditure

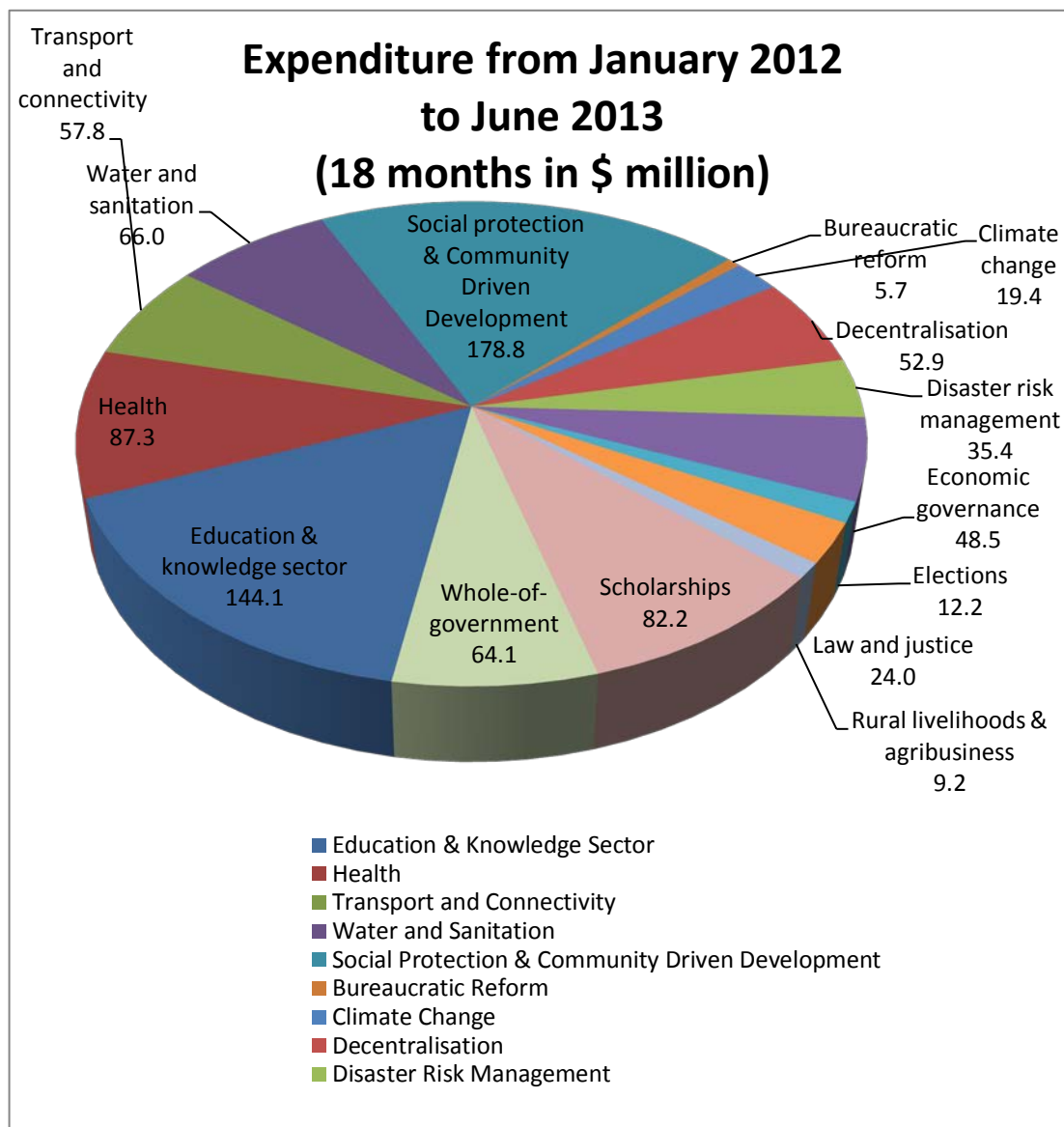
Table 1A: Expenditure 1 January to 30 June 2012

| Objective | \$million | % of bilateral program |
|--|--------------------|------------------------|
| Education and knowledge sector | 73 998 533 | 17.8% |
| Health | 41 029 264 | 9.9% |
| Transport and connectivity | 25 922 940 | 6.2% |
| Water and sanitation | 36 000 050 | 8.7% |
| Social protection and National Program for Community Empowerment | 65 563 897 | 15.8% |
| Bureaucratic reform | 3 034 099 | 0.7% |
| Climate change | 5 125 324 | 1.2% |
| Decentralisation | 26 888 317 | 6.5% |
| Disaster risk management | 18 969 917 | 4.6% |
| Economic governance | 24 725 323 | 6.0% |
| Elections | 5 846 200 | 1.4% |
| Law and justice | 11 931 577 | 2.9% |
| Rural livelihoods and agribusiness | 5 486 148 | 1.3% |
| Scholarships | 41 535 263 | 10.0% |
| Whole-of-government* | 29 251 533 | 7.0% |
| TOTAL | 415 308 383 | 100.0% |

Source: Aidworks: actual expenditure; and * best estimate.

Table 1B: Estimated expenditure in 2012–13

| Objective | \$million | % of bilateral program |
|--|--------------------|------------------------|
| Education and knowledge sector | 70 134 746 | 14.8% |
| Health | 46 310 217 | 9.8% |
| Transport and connectivity | 31 894 642 | 6.8% |
| Water and sanitation | 30 005 050 | 6.4% |
| Social protection and National Program for Community Empowerment | 113 191 964 | 24.0% |
| Bureaucratic reform | 2 662 059 | 0.6% |
| Climate change | 14 308 995 | 3.0% |
| Decentralisation | 26 014 921 | 5.5% |
| Disaster risk management | 16 386 887 | 3.5% |
| Economic governance | 23 770 269 | 5.0% |
| Elections | 6 319 960 | 1.3% |
| Law and justice | 12 104 229 | 2.6% |
| Rural livelihoods and agribusiness | 3 683 384 | 0.8% |
| Scholarships | 40 689 660 | 8.6% |
| Whole-of-government* | 34 878 000 | 7.4% |
| TOTAL | 472 354 982 | 100.0% |



Overall Australia’s estimated expenditure for the 18 months from January 2012 to June 2013 across the 14 sectors was \$887.7 million (\$823.5 million was delivered by AusAID and \$64.2 million by whole-of-government).

Progress towards objectives

Ratings are an assessment of Australia’s aid program performance in supporting the Indonesian Government to achieve the stated objective. More detailed information on the **performance of each sector program can be found in the sector sheets under Annex A.** The number of objectives reported against across the 14 sectors has reduced from 51 in 2011, to 28 in this reporting period. Consolidation of objectives is the result of developing sector-level strategies, which will support clearer sector and country-level reporting and more effective management of the Australia’s aid program.

| Objective | Current rating | Previous rating |
|---|----------------|-----------------|
| Education | | |
| Enrolment in junior secondary education in targeted districts increases (<i>revised wording</i>) | Green | Amber |
| Management of schools and madrasah improves (<i>revised wording</i>) | Amber | Amber |
| Quality of madrasah improves in line with national education standards (<i>revised wording</i>) | Green | Amber |
| Policy-makers utilise research findings to inform education sector policy, planning and budgeting (<i>revised wording</i>) | Green | Amber |
| Health | | |
| Improved utilisation of quality primary health care and appropriate referral in selected districts and provinces | Green | Green |
| Confident use of health facilities and services for delivery of babies, ante-natal and post-natal care in Nusa Tenggara Timur | Green | Green |
| Increased HIV/AIDS prevention, treatment, care and support in selected regions | Green | Green |
| Strengthened emerging infectious diseases prevention, detection and control mechanisms in the Ministries of Health and Agriculture | Amber | Amber |
| Transport and connectivity | | |
| Strategic sections of the national and provincial road network upgraded or maintained to Directorate General of Highways standards | Green | Amber |
| Improved policy, planning, preparation and delivery of Indonesian Government transport priorities | Green | Amber |
| Water and sanitation | | |
| Improved sustainable service delivery of clean water | Amber | Green |
| Improved sustainable service delivery of basic sanitation and wastewater management | Amber | Amber |
| Social protection and community driven development | | |
| Strengthened ability of the Indonesian Government to make informed and evidence-based policy and program decisions to reach the poor | Green | Green |
| <i>Note: this section includes our support to the Social Protection, National Program for Community Empowerment and the Empowering Indonesia Women for Poverty Reduction Program programs</i> | | |
| Bureaucratic reform | | |
| A more performance and merit based bureaucracy impacting on improved service delivery (<i>revised objective</i>) | Amber | N/A |
| Climate change | | |
| REDD+ demonstrated to be practical, effective and equitable | Red | Amber |
| Decentralisation | | |
| Improved performance of local governments in delivering services to the poor | Amber | Amber |
| Strengthened capacity of citizens and civil society organisations to engage and demand for better service delivery | Green | Green |
| Disaster risk management | | |
| Australia effectively and appropriately supports the Indonesian Government and communities to better prepare for, manage and reduce the risks of disasters (<i>revised wording</i>) | Green | Green |
| Economic governance | | |
| Improved Indonesian Government capacity to ensure macroeconomic and financial market stability (<i>revised objective</i>) | Green | N/A |

| Objective | Current rating | Previous rating |
|--|----------------|-----------------|
| Improved Indonesian Government capacity to raise tax revenues efficiently and with integrity | Green | Amber |
| Improved public financial management to support quality of public spending | Green | Amber |
| Improved Indonesian Government capacity to use trade and investment policy to promote the international competitiveness of the Indonesian economy (<i>revised wording</i>) | Amber | Red |
| Elections | | |
| Improved performance of electoral management bodies in managing and delivering quality elections (local and national) | Amber | Amber |
| Increased public engagement in Indonesia's elections and electoral systems | Amber | Amber |
| Law and justice | | |
| Courts and anti-corruption prosecutors are delivering better quality legal information and services | Amber | Amber |
| A greater number of poor and marginalised Indonesians are able to access legal aid services and legal identity documents (<i>revised objective</i>) | Amber | N/A |
| Rural livelihoods and agribusiness | | |
| Increased access of smallholder farmers to economic opportunities (<i>revised objective</i>) | Amber | N/A |
| Scholarships | | |
| Developing people-to-people linkages between Indonesia and Australia (<i>revised wording</i>) | Green | Green |

Note:

- Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.
- Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.
- Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Summary of results

The Indonesia country program was Australia's largest aid program in 2012–13, supporting the Indonesian Government to pursue its development priorities across 14 sectors.

The **education** sector is a high priority for the Indonesian Government and 20 per cent of the government's budget is spent in the sector each year. While significant achievements have been made in increasing school participation rates at the primary and junior secondary levels, results from international standardised tests indicate that education quality remains a serious issue. Australia is working with the Ministry of Education and Culture and the Ministry of Religious Affairs toward their objectives. Australia's flagship program in the sector—the Education Partnership 2011–2016—contributes to increased access to education at the junior secondary level, through school construction, improved education quality through better school-based management and accreditation of schools (*madrasah*) in the Islamic education sector, and more informed policy-making through access to high quality research and analysis. We also provide targeted support to the provinces of Aceh, Papua and West Papua to improve education policy and service delivery, and support school partnerships between Australian and Indonesian schools through the Building Relations through Intercultural Dialogue and Engagement (BRIDGE) program.

In 2012 we began building 451 junior secondary schools, with 95 per cent expected to be operational by the 2013 school year. Significant training for school principals (1240), aspiring school principals (1728), district education officials (1340) and provincial education officials

(1340) was conducted to build the professionalism and leadership of principals and to improve the selection and management of this vital human resource. In all Australia helped trained over 19 000 of the government's school officials in 2012–13. Meanwhile, our partnership with the United Nations Children's Fund is providing the only bilateral donor support in the education sector in Papua and West Papua at this time. Primary and secondary enrolment levels in these provinces are well below the national average and the partnership is working with schools to implement more effective early grade teaching, providing the foundation for future participation and learning in school. In 2012, 16 Indonesian schools developed partnerships with Australian schools with support from the BRIDGE program. A further 16 partnerships were formed in the first six months of 2013. The program facilitates student-to-student learning, and supports teacher training and exchange programs.

Government financing of **health** is low compared with other lower middle-income countries at around one per cent of GDP. Overall total annual health sector expenditure (which includes patient expenditure and donor contributions in addition to government financing) is only an equivalent of 2.2 per cent of GDP. This compares to an average of 4.3 per cent across lower middle-income countries. Australia's health partnership aims to support the Indonesian Government to achieve its two overarching objectives for the health sector: accelerating progress towards the off-track Millennium Development Goals targets for nutrition, maternal health and HIV/AIDS, and rolling out universal coverage of essential health services. To achieve this our portfolio currently consists of programs that work across health systems strengthening, maternal and neonatal health, and priority diseases impacting the poor and vulnerable including HIV/AIDS and emerging infectious diseases.

Australia's health systems strengthening program is new, but has already contributed data from the design phase that is being used to make financial projections for the new national health insurance scheme. It has also provided evidence to inform the need for Indonesian Government block grant allocations at the community level. The maternal and neonatal health program is having success in the districts where it operates and at a time when national level maternal mortality rate improvements have stalled. Total maternal deaths in program districts were 185 deaths in 2009, 175 in 2010, 148 in 2011 and 125 in 2012. Meanwhile, the proportion of births in a health facility in these districts has increased significantly from 47 per cent in 2010 to 72 per cent in 2012. In Nusa Tenggara Timur province Australia made a notable contribution to an additional 19 474 births being assisted by skilled birth attendants, to which the social protection program (through Program Nasional Pemberdayaan Masyarakat, see below) contributed a further 28 634. This means a total of 48 108 births were assisted by skilled birth attendants during the reporting period due to Australian funding. Despite the reduction in maternal deaths, neonatal deaths have not declined and will be difficult to reduce until the issue of maternal under-nutrition is addressed. While the Australian health program does not directly provide immunisation to children, Australia contributes funding to the National Programme for Community Empowerment (see below), which provides an immunisation program.

Australia has provided 16 years of HIV assistance in Indonesia. As the largest supporter of harm reduction among people who inject drugs, Australia has contributed to the reduction in HIV prevalence among people who inject drugs from 52 per cent in 2007 to 41 per cent in 2011. In 2012, following sustained policy dialogue between Australian HIV personnel and the Ministry of Health, a directive was issued confirming that civil society organisation outreach workers would be permitted to work in public health centres to distribute needles and syringes to people who inject drugs. This removed a significant obstacle to HIV prevention by increasing the number needles and syringes distributed through health services and civil society organisations from 646 832 in 2011 to 1 340 793 in 2012, and reducing the chance of needle sharing.

In 2012, 11 provinces were selected to establish new Early Warning Alert and Response Systems, previously piloted with Australian support. The Australia–Indonesia Partnership for

Emerging Infectious Diseases (human health) will support three of these: Nusa Tenggara Timur, Maluku and North Maluku. By early 2013, 21 provinces will have the systems established and functioning. Throughout 2012 the Indonesian Government's capacity has been steadily strengthened in the areas of zoonotic⁵ risk reduction, risk assessment, and risk communication and epidemic response. Government systems are now providing faster and more complete information about disease occurrence to decision-makers.

Transport and connectivity remains a high priority for the Indonesian Government as set out in its National Economic Master Plan. Australia has continued to support this sector through its core programs of the Eastern Indonesia National Road Improvement Project, the Indonesia Infrastructure Initiative and the Indonesia Infrastructure Support Fund with the World Bank. The Eastern Indonesia National Road Improvement Project is scheduled for completion at the end of 2014, and early assessments of the impacts are very promising—evidence suggests vehicle speeds have increased nearly 40 per cent, halving long-distance journey times on some roads while lowering operating vehicle operating costs and increasing road safety. Increased traffic volumes of 48 per cent are evidence of increased economic activity. In the last 18 months Australia helped Indonesia build and maintain 111 kilometres of roads. In addition to the tangible benefits, the assistance provided under this program is leveraging important policy changes and institutional reforms within the Directorate General of Highways, such as improved road design standards for longer life pavements, the use of full engineering designs, and technical audit for capital works programs. These are all innovations first introduced under the Eastern Indonesia National Road Improvement Project. Analytical and policy development assistance has also continued for connectivity and transport both through the Indonesia Infrastructure Initiative and the Indonesia Infrastructure Support fund.

In 2012–13 an Australian National Audit Office audit was conducted into the management of Australia's Indonesian infrastructure activities with a particular focus on the Eastern Indonesia National Road Improvement Project and the Indonesia Infrastructure Initiative. The audit found that management of both programs had been effective, that the programs are highly valued by the Indonesian Government and are delivering tangible benefits for a large number of low income Indonesians. It recommended that DFAT develop a delivery strategy for infrastructure (encompassing both transport connectivity and water and sanitation) to guide DFAT's investment in infrastructure development over the next five years and improve the ability to measure program outcomes.

Australia is the largest bilateral grant donor for **water and sanitation** in Indonesia. Australia supports the Indonesian Government to improve sustainable service delivery for clean water, basic sanitation and wastewater management by improving access, sector governance and financial reform. Australian programs work partly through Indonesian Government systems to demonstrate new ways of financing local government and supporting decentralisation through the use of grants (*hibahs*). In 2012–13, 470,755 people received access to safe water and a further 307 110 people received access to basic sanitation through Australian funded programs. While access provides important direct benefits to recipients, it is changes in the financing, governance and policies that will generate longer-term transformations, impacting sustainability of service delivery. The Indonesia Infrastructure Initiative water *hibah* delivers increased access to safe water while using national government financing structures to provide incentives for local government to invest in utilities. In this way, Australia's programs are demonstrating a results-based reimbursement approach that works in Indonesia's devolved governance system where investment in water infrastructure is the responsibility of local governments. Transparency is also a strong feature of Australia's investment in the sector, with the Australia and World Bank co-funded water and sanitation program—Water Supply

⁵ Diseases that are easily transmitted from animals to humans.

and Sanitation for Low Income Communities Project—developing the only publicly accessible monitoring and evaluation system for a nationwide development program in Indonesia. This system provides transparent information that enables the public to monitor and report on service quality and program outcomes.

The Indonesian Government is undertaking two major initiatives in **social protection and community-driven development**. The first is the National Program for Community Empowerment, which is the centrepiece the government's nationwide poverty reduction strategy and provides grants to poor communities to help villages with development priorities. The second is an overhaul of the government's social assistance programs, which provide benefits to poor individuals and households. These initiatives aim to ensure Indonesia's poor can access their full entitlements under Indonesia's social assistance programs.

Australia's support to the National Program for Community Empowerment has been focused on building the Indonesian Government's capacity to deliver the program, ensuring decisions are informed by evidence gained through pilots and evaluations, and strengthened through improved management practices including accreditation of facilitators. Findings from the program's rural evaluations have confirmed that its impact on poverty is significant—growth in real per capita consumption is 11.8 per cent higher in program-communities than non-supported communities, and 2.1 per cent more households move out of poverty in communities where the program is active.

Australia also helped 16 609 children to receive immunisation services and 27 530 births to be attended by skilled birth attendants, and provided 45 521 students with financial or nutritional support.

Australia's support to overhaul social assistance programs was given a significant boost through the development of a national unified database of program beneficiaries, which during 2012 has been taken up by all of the major social protection programmes targeting these beneficiaries. These include a cash transfer program, scholarships for the poor, and a rice subsidy program.

The Indonesian Government recognises that the accuracy of the database is vital. Despite improvements made this year through our support to the Vice President's National Team for Accelerating Poverty Reduction—an additional six million poor men and women were added to the database and now have access to social protection programs—there is still a high rate of poor people that should be, but are not on the database. A priority for 2013–14 will be to ensure that data is continuously improved, a grievance mechanism is put in place, and that local level verification of data and benefit distribution is implemented. There also continues to be a growing demand for this data from local governments for use in local poverty alleviation programs. This is a breakthrough towards improving pro-poor targeting of these programs, which is a substantial challenge when a large portion of Indonesia's population are poor or near poor. Australia's support has assisted the Vice President's National Team for Accelerating Poverty Reduction to be an initiator of policy change, and it is a much needed role for which a position outside the mainstream bureaucracy is an advantage. Australia's support has enabled the team to conduct critical research on how government social protection programs are being implemented, and to pilot activities to test how they may be improved.

Indonesia's bureaucracy is hampered by systemic issues, including inefficient organisational structures, contradictory laws and regulations, overstaffed and under skilled public services, unclear business processes in servicing the public, and mindsets and organisational cultures that are not innovative and are resistant to change. **Bureaucratic reform** is a prerequisite for the nation to continue advancing as a middle-income country. Australia is supporting the government's reform efforts, and has provided a number of tangible results through our Reform the Reformers program. A new performance management system has been introduced to major central institutions together with a range of new regulations, replacing the old performance management tool. We have supported internal restructuring within the Ministry

for State Apparatus and Bureaucratic Reform, which has enabled transparent and competitive recruitment of all new and vacant positions within the ministry, and for the heads of the National Institute for Public Administration and National Civil Service Agencies. Reform the Reformers has also supported an organisational assessment of the Ministry of Home Affairs and the Ministry of Agriculture. Strategies to publicly campaign for bureaucratic reform have been developed jointly with the Ministry for State Apparatus and Bureaucratic Reform and community organisations, and national media organisations have been engaged to distribute bureaucratic reform information to the public.

Tackling **climate change** remains a priority for Indonesia. While initial planning work under the National Action Plan to Reduce Green House Gas Emissions appears to be progressing relatively well, implementation efforts to meet its ambitious targets may prove challenging. Australia is supporting climate change action primarily through the Indonesia–Australia Forest Carbon Partnership, and is working with a range of stakeholders at the central and community levels. Australia’s support enabled the completion of important land cover change maps for Papua and Sumatra, showing detailed forest loss and gain over a 10 year period, and supported the trialling of payments to local communities for reforestation activities in Kalimantan. Cooperation on green economic development has positioned Australia well to support Indonesia as it strives to improve the quality and targeting of climate change policies into the future.

The policy environment in the highly **decentralised** Indonesian Government system continues to be unstable with ongoing regulatory changes adding uncertainties to the existing lack of skills, knowledge and systems at the local government level. At the provincial level, a Ministry of State Apparatus and Bureaucratic Reform evaluation found 76 per cent of governments performed at an acceptable level or above (up from 63 per cent in 2011), but that at a district and municipal level, only 24 per cent of governments had performed at an acceptable level or above (although an improvement from 12 per cent in 2011). While improving, the poor performance has been further exacerbated by the low disbursement of funds by the Indonesian Government with a cumulative underspend for 2012 of \$7 billion. Australia’s decentralisation programs operate in 10 of Indonesia’s 33 provinces and 40 of its 497 districts and municipalities, as well as within key central government ministries responsible for services at the local level, through five programs:

- > Local Governance and Infrastructure for Communities in Aceh Program
- > Australia Community Development and Civil Society Strengthening Scheme
- > Australia–Indonesia Partnership for Decentralisation
- > Consolidating Peaceful Development in Aceh
- > Partnership for Governance Strengthening Program.

We support district governments to understand communities’ needs and priorities and adopt evidence-based planning and budgeting processes to effectively allocate resources to address these. As a result of Australian assistance, 168 district government service units in Aceh are implementing minimum service standards and transparent management practices through service charters with their communities. The Australia Community Development and Civil Society Strengthening Scheme has supported 80 per cent of district governments in the provinces of Nusa Tenggara Barat, Nusa Tenggara Timor, South Sulawesi and Southeast Sulawesi to apply participatory approaches in public policy making and budgeting, increasing their health and education budgets and using participatory village planning to inform district level plans.

Indonesia is one of the most disaster prone countries in the world—in the last 10 years alone disasters have killed over 200 000 people. **Disaster risk management** is a Indonesian Government priority, but the sector in Indonesia is new, evolving and complex and the

government faces significant challenges to its goal of better self-managing disasters. Australia and Indonesia work in partnership to improve Indonesia's ability to prepare for, manage and reduce the risks of disasters. A major part of our partnership is delivered through the Australia–Indonesia Facility for Disaster Reduction, which works closely with the National Disaster Management Agency. A key area of focus has been on the development and application of training materials for Indonesian disaster managers to address fundamental gaps in the basic skills of disaster risk management. The Australia–Indonesia Facility for Disaster Reduction has directly supported training of over 6000 people of whom more than 40 per cent were women. As a result, the National Disaster Management Agency is now training provincial and district disaster managers using materials produced through the Australia–Indonesia Facility for Disaster Reduction. To date, the agency has trained 388 disaster managers in eight provinces. In 2012 Australia and the agency worked with the World Bank to launch the Indonesia Scenario Assessment for Emergencies—innovative open source software that allows disaster managers to produce realistic natural hazard scenarios to underpin contingency planning. In addition, Australia's programs to build capacity of Indonesia's science agencies to understand earthquake hazard and impacts has resulted in new earthquake hazard maps for seven provinces being developed by Indonesia's Geology Agency, and real-time earthquake impact assessments for 160 earthquakes since November 2012. DFAT is also responsible for ensuring that Australia is able to provide an effective disaster response within 48 hours of a request for assistance. The Jakarta Disaster Response Plan was published in December 2012 and a trained emergency response team of 60 staff within the embassy stand ready to implement this in the event of a disaster in Indonesia requiring Australian assistance.

As discussed above, macroeconomic indicators in Indonesia remain healthy overall, but a significant current account deficit is emerging, reflecting slowing exports. Limited institutional capacity, unclear decision-making authority, and weak coordination across government are major obstacles for economic reform. Australia's **economic governance** programs, including the Australia–Indonesia Partnership for Economic Governance and the World Bank-implemented Support for Enhanced Economic and Fiscal Policy Analysis, support key Indonesian Government agencies to improve their capacity to manage the economy and contribute to inclusive economic growth and poverty reduction. Support to Indonesia's Fiscal Policy Agency has led to considerable improvements in its analytical methods and provided strong evidence to inform Indonesian Government policy makers on critical issues such as fuel subsidy reform, budget execution blockages, and the emerging current account deficit. The newly formed independent financial services authority of Indonesia—OJK—has taken over regulatory and supervisory responsibilities from Bank of Indonesia and the Ministry of Finance in banking, non-banking financial institutions and capital markets. Successful transition of the new body is critical for the future of Indonesia's financial sector stability and is the major institutional reform in economic governance currently underway in Indonesia. Australia is providing assistance directly to the OJK board of commissioners on critical issues, and the Australian Prudential Regulation Authority and Australian Securities and Investments Commission have been providing ongoing capacity building to OJK on risk-based supervision and financial market development under the Government Partnership Fund.

Elections held in 1999 and 2004 resulted in smooth and orderly transitions of power. However, the 2009 elections revealed a number of issues in the management of electoral systems and processes which, if not for incumbent President Susilo Bambang Yudhoyono's significant winning margin, may have compromised the credibility of the election. Of most concern were inaccuracies in the voter list, errors in vote tabulation, and a high level of invalid votes. Australia's support for elections is delivered through the Australia–Indonesia Electoral Support Program, which underscores Indonesia's efforts to conduct well-organised and credible elections by building the capacity of electoral management bodies and increasing public engagement in electoral processes. Australia supported Indonesia's General Elections

Commission to develop an accurate list of approximately 190 million voters and a mechanism for allocating these voters to polling stations managed by over 500 field officers. This list will be used for the 2014 national elections and will be the largest electronic election management system in the world. The General Elections Commission has already resulted in an international award which acknowledges its innovative efforts. Australia continued to support the long-standing peer-to-peer relationship between the Australian Electoral Commission and the General Elections Commission. The Australian Electoral Commission delivered training for election officials on internationally regarded good practices in electoral management which was independently reviewed and found to provide a useful foundation for General Elections Commission staff in electoral administration, management and operations. Delays to approvals meant activities with civil society organisations to ratify election regulations had to be cancelled due to lack of time in the lead up to the 2014 election. These have been replaced by support for civil society engagement in voter education and election monitoring, which remain key to reversing the trend of declining independent monitoring of elections.

Indonesia's judiciary was separated from the executive arm of government less than a decade ago. While the country's courts have made strong progress during this time, and reforms have been introduced to enhance the performance of other law and justice agencies, the Indonesian public continues to be sceptical about the quality and accessibility of justice services.

Australia's support for Indonesia's **law and justice** sector is delivered primarily through the Australia–Indonesia Partnership for Justice, with a focus on realising the rights of the poor and marginalised centred on the right to legal identity, fair and accessible legal services, and accessible legal information. Australia has supported ongoing efforts to publish court decisions and, as of June 2013, this had resulted in over 460 000 decisions being published online (up from 123 000 in December 2011) and has already had concrete impacts on judicial accountability as evidenced by the first ever dismissal of a Supreme Court judge in late 2012 over doctoring an official decision. Australia also supported the government's efforts to professionalise anti-corruption prosecutions, with support to enable the Public Prosecutor's Office to make its annual report available to the public for the first time in 2012 likely to lead to enhanced accountability in the long term. Policy advocacy by programs supported by Australia has resulted in key judicial reforms to ensure greater access to justice for poor and marginalised groups, including a Supreme Court decree raising the threshold for a serious crime to IDR2.5 million (\$250) from IDR250 (2.5 cents). If accepted by the Public Prosecutor's Office, this will keep many children and petty criminals out of prison. Assistance to Indonesia's Corruption Eradication Commission to build public support for its plan to recruit independent investigators has been highly successful. The commission's leadership and civil society observers are considering this important to help the commission continue its effective approach to eradicating corruption.

Agriculture makes up 43 per cent of household incomes in Indonesia and will continue to drive Indonesia's rural economy for the next 20 years. World Bank analysis indicates that agriculture is three times more efficient in reducing poverty compared to other major economic sectors.⁶ Australian activities in **rural livelihoods and agribusiness** have helped 94 039 poor women and men gain access to agricultural technologies, generate \$2.8 million of additional agricultural production dollars, and increased incomes for 32 786 poor women and men. Up until June 2013, focus had been on preparatory work for a new program to begin in 2013–14 which will increase agricultural incomes by 30 per cent for 300 000 farmers in the five eastern provinces of East Java, Nusa Tenggara Timor, Nusa Tenggara Barat, West Papua and Papua. Australia also supported around 90 villages through the Nusa Tenggara Timor Agro–Forestry Community Development activity to increase access to agricultural technologies for 11 000 farmers, and increase the incomes of 16 460 poor women and men.

⁶ World Bank 2008. Agriculture for Development, World Development Report, Washington.

Australia Awards provide long and short-term study and professional development opportunities to citizens from developing countries. They aim to promote knowledge, education links and enduring ties between Australia and our neighbours through **scholarships** programs. In 2012, 448 Australia Awards Scholarships (formerly Australia Development Scholarships) were offered to Indonesians for long-term study in Australia. A further 26 (18 PhD and four Masters) Australia Award Leadership Program (formerly the Australian Leadership Award Scholarships) were awarded to Indonesians demonstrating outstanding leadership potential and commitment to contributing to development outcomes in their field of expertise. Two rounds of Australia Award Fellowships, which support short-term study, research and professional attachment programs in Australia, were held in 2012, and 192 fellows were selected from Indonesia—the highest number of any single country. In 2012, the first tracer study of 219 alumni who returned from Australia in 2009 found that 79 per cent are regularly using their knowledge and skills gained from Australia in their workplaces, 97 per cent of alumni from the public sector returned back to their former workplace and 77 per cent have a greater role in policy making. . In total, 89 per cent of alumni rated their scholarship experience in Australia as very positive and 77 per cent felt very positive about Australia. In February 2012 the program had awarded scholarships to 398 Indonesians, and 474 more awardees were announced in February 2013.

Over the past 18 months the Australian Government has delivered real results to large numbers of Indonesia's poorest people. Our work has been developed and delivered in partnership with the Indonesian Government, civil society organisations, other donors and the aid program's implementing partners. There are however major social and economic challenges to address if Indonesia is to fulfil its promise of becoming a stable, democratic and increasingly prosperous country playing a strong leadership role in the Asia-Pacific region. Australia's development program will continue to support and engage in the sectors where we have been successful to date, and work with partners to find innovative solutions to tackle the very real challenges that remain in dealing with poverty and long-term prosperity.

Portfolio management

In 2012 the Indonesia program finalised a detailed country situation analysis which will inform the development of the new Australia-Indonesia Partnership Country Strategy. As discussed above, the current Australia-Indonesia Partnership Country Strategy (2008-2013) will be extended to allow the new strategy to align with the new Indonesian Government medium-term development strategy which will be released in 2015 following Indonesian elections.

As a large country program, the Australian aid program in Indonesia has in-country corporate and program support teams that provide assistance at the portfolio level across all sectors. The policy analysis unit includes advisers with Indonesia-specific expertise, driving innovation in the program. The public affairs unit helps respond to Indonesian media and tailors proactive social media engagement in a country with a high use of social media—Jakarta is the world's most active city when it comes to using Twitter. The program effectiveness and performance section provides portfolio management support and advice to sector teams across the program cycle to enhance quality and minimise risk, often in relation to applying corporate guidance in the Indonesian context.

A review of the program's management structure was conducted in 2011-12 and resulted in a new minister counsellor position being created in October 2012 as head of programs. This appointment enabled management of the program to be divided between the head of programs and the existing chief of operations. The new structure established stronger senior management oversight of the delivery of Australia's largest bilateral development program.

The new risk and fraud management model was successfully implemented in the program in Indonesia in 2012, with the cascading risk management approach adopted throughout the program and used by senior management to review and manage risks. The department in Indonesia has a proactive approach to engagement with partners to manage the risk of fraud. Higher levels of knowledge of Australian Government policies and approaches to fraud mitigation and management are leading to better management, detection and prevention of fraud across the program. Transparency is an important element in managing fraud, and to this end the Indonesia program guideline on payments and allowances was released in March 2013. The purpose of this is to ensure the payment of honorarium and allowances is appropriate, transparent, accountable and implemented consistently across the Australian program in Indonesia. In applying the guidelines Australia is using existing Indonesian Government processes and standards by mirroring the national level Indonesian Government standard unit costs.

The Evaluation Capacity Building Program was developed in 2010 to build Indonesia program staff capacity to assess the standard of designs, reports and monitoring and evaluation products. An independent review was conducted in December 2012 at the mid-way point of the five-year program to assess progress against its objectives. The review acknowledged good progress in improving staff capacity to manage monitoring and evaluation processes, and made recommendations for some modifications during the second half of the program. Several other country programs also adopted the program during 2012, and a community of practice was established in Canberra in early 2013 to enable practitioners to share and learn from others' experience.

The Indonesia program's engagement with implementing partners and teams has strengthened during 2012 and 2013. Monitoring and evaluation specialist workshops were held quarterly to discuss issues and communicate quality expectations for monitoring and evaluation products. Biannual implementing partner forums were held to facilitate learning and information sharing on implementation issues more broadly. These forums, together with the quarterly team leader sessions, provide a valuable information source for the department and its partners to learn from each other and continually improve the effectiveness of the Indonesia program. During 2012 a priority was strengthening strategic engagement with the World Bank, our largest multilateral development partner (\$55.7 million disbursed in 2012–13). With the support of the World Bank country team we have agreed a governance framework for strategic oversight of trust funds and Australian/World Bank engagement in Indonesia. Through this framework frequent meetings between the senior management of both sides are held to ensure guidance on the whole portfolio. Australia has also been working with the Asian Development Bank on wastewater master plan investments in eight cities and continues to work strategically with United Nations partners such as the United Nations Children's Fund, the International Labour Organization, the United Nations Office for the Coordination of Humanitarian Affairs and United Nations Development Programme.

In 2012 a more targeted program was developed to address the needs of poor women in Indonesia who face extra hurdles in escaping poverty. This program was called Empowering Indonesia Women for Poverty Reduction. Considering the program team's core focus is on gender and poverty, a gender unit role is also now anchored in this team. This enables the unit to capitalise on the knowledge and expertise already housed within the aid program and build on the relationships which it has established with gender civil society organisations and the Indonesian Government. Over the coming 12 months, the gender unit will focus on progress made and opportunities available to improve outcomes for women in health, social protection and governance.

The Program Management Plan is a tool to assist sector teams and senior management to plan and budget over a four year cycle. It enables current portfolio of projects to be monitored and new designs to contribute different budget scenarios at the portfolio level. During 2012 and early 2013 the Program Management Plan reporting functionality was enhanced and it was

institutionalised into existing reporting systems and management structures. It now draws its data directly from Aidworks, the main financial reporting system of the aid program, and has benefited from added functionality allowing scenario data to be added over a four-year period. The plan is now effectively an extension of Aidworks, adding reporting functionality (in particular, scenario planning) to inform budget allocation and track the impact of current expenditure over a four-year cycle. The plan also provides a snapshot of evaluation and quality assurance events including Quality at Implementation reports, delivery strategies, concept peer reviews, strategic programming committee reviews, design peer reviews and program evaluations.

Six initiatives have been finalised and will begin implementation in 2013:

- > The Australian–Indonesian Partnership for Pro-poor Policy—the knowledge sector initiative worth \$100 million was announced in July 2012 during a visit to Jakarta by then Minister for Foreign Affairs, Bob Carr, and will begin operation in the second quarter of 2013.
- > Women in Leadership—this new five-year \$60 million program was announced by the Prime Minister of Australia and the President of Indonesia in July 2012 and will start in the second quarter of 2013.
- > The Rapidly Expanding Access to Care for HIV (REACH) Program—expansion of Australia’s support to HIV affected people in Papua and West Papua will be increased through \$25 million agreed for this program with the Indonesian Government in August 2012. It began operating in Papua and West Papua highlands in July 2012.
- > The new \$50 million Australian–Indonesian Partnership Health System Strengthening Program was jointly announced by the Prime Minister of Australia and Indonesia’s Minister of Health in Bali on October 2012 and began operating in January 2013.
- > The new Australia–Indonesia Program for Decentralisation is promoting rural income through support for markets in agriculture. This \$77 million program will start in mid-2013.
- > Provincial Road Improvement and Maintenance—which includes an allocation of \$17 million for stage 1—has been designed as a pilot to be trialled in Nusa Tenggara Barat Province. Implementation will commence in June 2013 with maintenance works expected in late 2013.

A number of existing initiatives have also been extended. The current Nusa Tenggara Timur province-focused maternal and neonatal health program has been extended for one year to ensure a smooth transition to the new multi province maternal and neonatal health program that is currently under design and expected to start in July 2014. The Australia–Indonesia Facility for Disaster Reduction will be extended by one year to allow a smooth transition to the new Australian–Indonesian Disaster Risk Reduction program, which is due to start in late 2014. This will build on the success of the Australia–Indonesia Facility for Disaster Reduction and expand its scope to include sub-national level support for risk reduction and enhancement of civil society and community engagement and response capacity. Australia will continue to support rural water, sanitation and hygiene development through an extension to the Water and Sanitation Policy and Action Planning Project until December 2014 and a contribution of \$49.5 million to the second phase of World Bank-managed Water Supply and Sanitation for Low Income Communities Project. These programs will assist the Indonesian Government to roll out and implement water, sanitation and hygiene policies and to increase water and sanitation access to low-income communities.

Work has commenced on new frontline services, tertiary education, maternal and neonatal child health, scholarships, disaster management, infrastructure and climate change designs. Agreement has also been reached with the Indonesian Government to boost Australia’s

support in the social protection sector. For example, Foreign Minister Senator Bob Carr announced in April 2013 a decision to expand Australian Government support to the National Programme for Community Empowerment by an additional \$99 million. Work on the other designs is progressing with the expectation that all will be finalised by the end of 2013–14. Work to develop delivery strategies has also commenced for nearly all sectors.

Development cooperation activities are also delivered by 10 other Australian Government departments, as well as state and territory governments. In 2012–13 these delivered a total of \$34.9 million in development assistance to Indonesia, a \$9 million decrease from 2011–12.

DFAT managed the Debt to Health Swap, under which Australia has agreed to cancel debt owed by Indonesia to Australia in parallel with increased Indonesian Government investment in programs combatting tuberculosis. Other government agencies delivering the largest overseas development assistance programs in Indonesia were the Department of Immigration and Citizenship (\$11.7 million) and the Australian Centre for International Agricultural Research (\$5.8 million). The Department of Immigration and Citizenship helped build capacity to prevent people smuggling and supported the care of irregular migrants in Indonesia. It has improved quarantine facilities, trained and awarded scholarships to immigration officers, supported border management system enhancement, and strengthened the Directorate General of Immigration. The Australian Centre for International Agricultural Research supported a variety of research projects focused on increasing crop, livestock and aquaculture productivity to increase farmers' income. The Brahman cattle pilot project for instance provided funding support and expertise to enhance cattle productivity for Indonesian smallholders.

In 2012–13 Australia began designing a policy coordination facility, which will help whole-of-government partners access technical expertise to design, implement and evaluate activities funded with official development assistance. Subject to funding approvals, it is likely that the facility will be operational in the coming 18 months, which will provide a useful mechanism for whole-of-government partners to improve the quality of their aid projects.

Quality at Implementation ratings

Quality at Implementation (QAI) reporting follows policy guidance provided by the department's Program Effectiveness and Performance Division. A division staff member from Canberra took part in the QAI moderation that was held in January 2013 and provided an objective arm's length approach to the assessment initiatives. This year's assessment has produced candid reflections on the performance of all 48 monitored initiatives in Indonesia.

The Eastern Indonesia National Road Improvement Project, Counter-terrorism Cooperation Fund, and Indonesia–Australia Forest Carbon Partnership were categorised as 'initiatives requiring improvements' in 2011. These have all graduated in 2012 as a result of remedial actions taken by the program teams. A score of 3 on the effectiveness rating for two consecutive years will categorise an initiative as requiring improvement.

This year five initiatives—two Partnership for Health Strengthening System initiatives, a Partnership for Decentralisation initiative, a Provincial Governance Strengthening Program initiative and an Election Support initiative—all scored 3 under the QAI criteria of effectiveness for the first time (see Annex C). Causes range from the first year of implementation starting slowly and slow decision making and approval of plans and activities, through to weaknesses in some aspects of the project management and monitoring and evaluation systems. Close monitoring of these initiatives is necessary. It is positive that the system is detecting initiatives requiring attention, and overall most initiatives performed well across the QAI criteria (scores of 4 and above).

Management consequences

We have successfully addressed the majority of the management responses identified in the 2011 annual program performance report⁷ (APPR) through country program-wide management actions undertaken during 2012 (see Annex B). Management consequences from the 2012–13 reporting period for action over the next 12 months are:

- > Develop delivery strategies for the education, health, infrastructure, economic governance, decentralisation, rural livelihoods, social protection and disaster management sectors.
- > Continue designs for the next phase of initiatives in frontline services delivery, tertiary education, infrastructure, disaster risk management, maternal and neonatal child health, and climate change.
- > Prepare to increase the total funding for National Programme for Community Empowerment over the next two years.
- > Analyse future options and areas of engagement for investment in economic governance, green economic development and law and justice.
- > Finalise contracting arrangements for initiatives in the scholarship and rural livelihood and agribusiness sectors.

Conduct performance assessments for initiatives including the Government Partnership Fund, Enhanced Economic and Fiscal Policy Analysis, Australia–Indonesia Partnership for Justice, Australia–Indonesia Partnership for Decentralisation, the National Programme for Community Empowerment, and Education Partnership, and reassess the monitoring and evaluation framework for the Australia–Indonesia Electoral Support Program.

- > Capture lessons learned and embed the gains made under the Support for Education Sector Development in Aceh program and the broader Education Partnership program, the Australia–Indonesia Partnership Facility for Disaster Reduction, Kalimantan Forests and Climate Partnership, and Indonesia Infrastructure Initiative. This will inform future activities within the respective sectors and across the portfolio.
- > Strengthen cross-sectoral programming, coordination and collaboration.
- > Strengthen knowledge management to improve the agency's efficiency and effectiveness.
- > Further strengthen staff evaluation capacity through implementation of Evaluation Capacity Building program modifications.

The team in Jakarta manages risk through monthly team assessments of a series of cascading risk registers. Implementing partners maintain active risk registers and escalate risks to activity managers as needed. Activity managers decide whether to escalate risks to the risk registers up the hierarchy, including the sectoral risk registers and country risk registers, and to the department's risk register if warranted. The emphasis is on awareness, developing treatments and communicating our risks.

⁷ Prior to 2012-13 Aid Program Performance Reports were called Annual Program Performance Reports

Table 3: Risks associated with the program and management actions

| Most significant risks | Management response |
|--|--|
| <p>HEALTH: Weaknesses in the health system may impede the roll-out of the national health insurance from 2014 to 2019.</p> | <p>We will provide highly targeted technical assistance to support health system strengthening at the central level and also support reform pilots in selected provinces.</p> |
| <p>CORRUPTION: Corruption within Indonesia may undermine service delivery to the poor.</p> | <p>We have refocused the work plan for the Australia–Indonesia Partnership for Justice on realising the legal rights of the poor and marginalised. Support will continue for technical inputs on anti-corruption and civil society anti-corruption programs through multiple sectors. In the Australia–Indonesia Partnership for Decentralisation, we are also supporting increased transparency by establishing freedom of information committees (national and local).</p> |
| <p>FRAUD: Number of fraud cases may increase, putting at risk support for the most affected programs, such as the education partnership.</p> | <p>A program of evaluations and audits of the education partnership will identify lessons learned to improve program implementation. We will continue engagement with implementing partners to promote implementation of DFAT’s fraud control policy.</p> |
| <p>PAPUA: Progress in controlling HIV, tuberculosis and malaria, and in reducing child and maternal deaths in Papua and West Papua, may be impeded.</p> | <p>We will work in close partnership with the Indonesian Government and international partners, including the Global Fund, USAID and United Nations agencies, and support local governmental and non-government organisations to deliver an effective response to the health challenges in Papua and West Papua.</p> |
| <p>DELIVERY STRATEGIES: Absence of sector level delivery strategies may reduce our ability to optimise planning and reporting at the sector level.</p> | <p>Nine sectoral delivery strategies are under development.</p> |
| <p>NATURAL DISASTERS: A major disaster may overwhelm national response systems despite significant improvements in capacity since the National Coordinating Agency for Disaster was established in 2007.</p> | <p>DFAT and the National Coordinating Agency for Disaster will jointly develop a design for the next phase of our disaster risk management partnership in-line with the concept note that was approved in late 2012.</p> |
| <p>INDONESIAN ELECTION: Australian support through the Australia–Indonesia Electoral Support Program may be perceived as interfering in Indonesia’s domestic affairs.</p> | <p>We will require all international non-government partners to deliver support through independent local organisations that are registered under relevant Indonesian laws, and ensure that international implementing partners do not access raw population data.</p> |
| <p>SCALE UP: Insufficient program designs to ensure the effective scale up of the program.</p> | <p>We will use the department’s Indonesia Program Management Plan to manage design timings, build in flexibility and develop scenarios per sector for out-years.</p> |

Annex A: Sector sheets

Education

Rating of the program's progress towards the objectives

| Objective | Current rating | Previous rating |
|--|----------------|-----------------|
| Enrolment in junior secondary education in targeted districts increases (<i>revised wording</i>) | Green | Amber |
| Management of schools and madrasah improves (<i>revised wording</i>) | Amber | Amber |
| Quality of madrasah improves in line with national education standards (<i>revised wording</i>) | Green | Amber |
| Policy-makers utilise research findings to inform education sector policy, planning and budgeting (<i>revised wording</i>) | Green | Amber |

Note:

■ Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.

■ Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

■ Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Indonesia has made steady gains on its commitment to provide nine years education to all children, with national primary school and junior secondary school net enrolment rates at 95.5 per cent and 77.7 per cent respectively in 2011–12. While the primary school net enrolment rate has remained fairly steady, the junior secondary school rate has increased from 74.5 per cent in 2009–10.⁸ However, Indonesia's participation in international standardised tests, such as the Organisation for Economic Cooperation and Development's (OECD) Programme for International Student Assessment, show that quality remains a serious concern. More than half the Indonesian students who participated in the Programme for International Student Assessment reading literacy tests in 2009 were assessed as lacking the essential skills to participate effectively and productively in society. Notwithstanding that result, Indonesia's results for reading have improved over the period from 2000–2009, whereas the opposite trend is true for mathematics and science.

Australia continues to work in partnership with the Ministry of Education and Culture and the Ministry of Religious Affairs, in support of their sector objectives, as articulated in their strategic plans (Renstra 2009–2014⁹). Australia's flagship program in the sector—the Education Partnership 2011–2016—contributes to increased access to education at the junior secondary level, through school construction, improved education quality through better school-based management and the accreditation of schools (*madrasah*) in the Islamic education sector, and more informed policy-making through access to high quality research and analysis. We also provided targeted support to the provinces of Aceh, Papua and West Papua to improve education policy and service delivery. Overall support in the sector will be captured in the Education Sector Delivery Strategy 2014–2023 that is currently being developed.

⁸ *Country background report on the education sector in Indonesia*, Analytical and Capacity Development Partnership for the Ministry of Education and Culture, 2013. Data sources: Ikhtisar Data Pendidikan Nasional (Ministry of Education and Culture), Buku Indikator Kunci Keberhasilan (Ministry of Education and Culture), Buku Statistik Pendidikan Islam (Ministry of Religious Affairs).

⁹ Renstra is an abbreviation of *Rencana Strategis*, or strategic plan.

The policy environment in the education sector was dynamic in 2012 as the Indonesian Government accelerated the pace of reform in advance of the presidential elections in 2014. Two major new policy initiatives were announced: a new national curriculum to commence in school year 2013–14, and the provision of universal access to 12 years education. The Education Partnership support remains highly relevant, however the Ministry has been under pressure to respond to new policy directives. Australia's support to the Analytical and Capacity Development Partnership, which is managed by the Asian Development Bank and co-funded by the European Union, meant that we were able to respond to a request for assistance with the new curriculum. The rapid pace of curriculum reform was identified as a risk to its effectiveness, so we negotiated agreement with the Indonesian Government to include a focus on monitoring and evaluation to support future improvements. The curriculum study is one of 35 anticipated studies to be conducted by the Analytical and Capacity Development Partnership, of which 11 will be finalised by June 2013.

In 2012 the sector objectives were revised to better reflect the end-of-program outcomes for the Partnership. At this time there is not enough data to accurately assess whether activities have had sufficient impact. Evaluations of all components will commence in 2013, to support annual performance assessments of progress towards end-of-program outcomes.

Construction commenced in 2012 on 451 junior secondary schools, and 95 per cent of these are on track to be operational by the 2013 school year. The first year of school construction under the Partnership demonstrated that the measures put in place to quality assure construction were effective, however more work had to be done on the systems for analysing and reporting on data to support continual improvement in program management. The Indonesia program, together with our implementing partners, identified an opportunity to improve the effectiveness of the program by providing district education officials with training in education access planning, which will help them decide how to increase enrolment most efficiently in their district. Development of training materials has commenced and will be delivered in 2013. While the school construction program was intended to boost enrolment rates in districts with a gross enrolment rate below 90 per cent, it has become increasingly difficult to identify sites for new schools which meet this criterion, and the government has requested that DFAT revise the threshold. Further analysis of district infrastructure needs, planning capacity, and constraints to participation in the program is needed to inform this decision, which will be conducted in 2013.

In early 2013, Australia and Indonesia reached agreement on the systems and safeguards required to deliver continuing professional development to school principals, using Indonesian Government systems and Australian funds. Concurrently with this design work, in 2012 we trained 1240 school principals in 31 districts across five provinces, through an expanded piloting of the training, delivered by the managing contractor. The pilot also trained 1340 district education officials and 450 provincial education officials in human resource management and development in 268 districts. These training modules are designed to ensure that district governments can provide the policies, processes, and resources to support effective recruitment and management of school principals. Training was also conducted for 1728 aspiring principals, so they were job ready if selected to become principals in the future. In all, Australia helped trained over 19 000 government school officials in 2012–13.

Block grants were provided to 565 Islamic schools in 2012 to implement improvement plans, based on the eight national education standards, and grants were also provided to seven provincial education institutions that supported participating Islamic schools with training and mentoring. The block grants were used to fund a range of physical infrastructure improvements and teaching aids for Islamic schools, while the training focused on teaching methods and school leadership. Evaluation of the effectiveness of the support is underway. In 2012, we also supported the Ministry of Religious Affairs with technical assistance to prepare and sign a memorandum of understanding with the national school/Islamic school

accreditation board, which will see an increased number of Islamic schools included in the annual accreditation quota and contribute to achieving Renstra targets.

Our assistance to the education sector in Aceh entered its final stages in 2012 as we prepare for the transition to support provided through the nationwide Education Partnership. To that end, the program intensified its support to district governments, while sustaining the improvements to planning, budgeting, and policy development at the province level. Early signs of district government uptake include two districts (Aceh Singkil and Gayo Lues) completing annual reports of sector performance, one district (Sabang) passing a mayoral regulation regarding gender responsive budgeting, and one district (Aceh Singkil) allocating government budget to the cross-departmental team mandated to develop and oversee the district's strategic plan. During the period, a change in the political leadership in Aceh posed a potential risk to the sustainability of sector improvement efforts that had been led by government officials, however this transition was well managed and the new governor is informed and supportive of the program.

Papua and West Papua continue to lag in critical education sector indicators, as geographic, demographic and human resource constraints mitigate against the availability of financial resources to support change. Junior secondary net enrolment in Papua and West Papua was 62.55 per cent in 2011–12, around 15 percentage points below the national average. Primary net enrolment is also well below the national average (Papua: 90.9 per cent, West Papua: 89.5 per cent). A 2012 study by the United Nations Children's Fund¹⁰ also found that, on any given school day, one in three primary school teachers were absent from class. Australia's partnership with the United Nations Children's Fund is the only bilateral donor support to education development in the Papuan provinces at this time. The program has been working with provincial governments to improve strategic planning using participatory approaches. Strong commitment and leadership from provincial and district education offices for the process has emerged over the program's life. At the same time, the program has been working directly with urban and peri-urban areas to improve teaching methods and school-based management, including through the establishment of model schools. By September 2012, all participating schools had received resources for more effective early grade teaching, and all model schools were actively implementing the improved teaching methods. Data is not yet available on student learning outcomes in these schools.

In 2012, 16 Indonesian schools developed partnerships with Australian schools with support from the Building Relations through Intercultural Dialog Initiative program. A further 16 partnerships were formed in the first six months of 2013. As well as facilitating student-to-student learning, the program supports training for teachers and exchange programs.

The management consequences identified in the 2011 annual program performance report have been largely addressed. The Education Sector Analytical Capacity Development Partnership's ability to influence policy processes remains a risk to the effectiveness of the investment, however a stronger monitoring and evaluation plan, adjustments to the staffing of the secretariat and a well-targeted communication strategy were all underway in 2012 to help mitigate the risk.

Management consequences

Management consequences from 2012–13 are:

- > Finalise Education Sector Delivery Strategy.

¹⁰ *We like being taught: a study on teacher absenteeism in Papua and West Papua*, United Nations Children's Fund together with University of Cenderawasih, State University of Papua, SMERU Institute and Central Bureau of Statistics, April 2012.

- > Conduct analysis to better understand district infrastructure needs, planning capacity and constraints to participation in the school construction program. Use this information to inform a decision on the appropriate targeting strategy for the program (districts with gross enrolment rate below the national average of 95 per cent or districts with gross enrolment rate below 90 per cent).
- > Transition to the use of partner government systems to deliver training to Indonesia's school principals. This will be a major priority in the next reporting period as the use of partner government systems will provide a significant opportunity to help build a national continuous professional development system that is sustainable by the government. Technical assistance (advisers) will need to be refocused onto systems improvement, rather than training development and delivery.
- > The rolling program of evaluations and audits for the education partnership will gain momentum in 2013, generating valuable performance data. It is crucial that the lessons learned are used to continually improve program implementation, so a process for analysing recommendations, formulating responses, and allocating responsibility for implementation, will need to be operationalised.
- > As the Support to Education Development in Aceh program comes to an end in June 2013, there will be a strong focus on embedding the gains made under that program and continuing to work closely with the education sector leadership in Aceh to ensure the education partnership, particularly training to aspiring and incumbent school principals, is well-integrated and supportive of provincial priorities.

The follow-up of management consequences from the 2011 annual program, performance report can be found in **Annex B**.

Health

| Objective | Current rating | Previous rating |
|--|----------------|-----------------|
| Improved utilisation of quality primary health care and appropriate referral in selected districts and provinces | Green | Green |
| Confident use of health facilities and services for delivery of babies, ante-natal and post-natal care in Nusa Tenggara Timur | Green | Green |
| Increased HIV/AIDS prevention, treatment, care and support in selected regions | Green | Green |
| Strengthened emerging infectious diseases prevention, detection and control mechanisms in the Ministries of Health and Agriculture | Amber | Amber |

Note:

■ Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.

■ Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

■ Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

- > Indonesia has achieved a number of improvements in the health of its population over the past 20 years. According to the World Bank, between 1991 and 2012 life expectancy increased from 62 to 69, under-five mortality decreased from 97 to 40 per 1000 live births and infant mortality from 68 to 32 per 1000 live births (Indonesia Demographic Health Survey 2012). Indonesia has already achieved all of its Millennium Development Goals (MDG) targets for reversing the incidence of tuberculosis.
- > However, the country remains off-track with regard to the MDGs for nutrition, maternal health and HIV/AIDS, and the latest data show that the MDGs for child mortality and for

malaria may not be met. Although malaria is well on the way to being controlled in most of the country, extremely high incidence rates in the three eastern provinces of Nusa Tenggara Timur, Papua and Papua Barat are adversely affecting the national statistics. The maternal mortality statistics are of particular concern. The 2007 Indonesia Demographic Health Survey estimated the national maternal mortality ratio to be 228 maternal deaths per 100 000 live births, already very high compared to other middle income countries in the region, but preliminary data analysis of the 2012 Indonesia Demographic Health Survey suggests that the figure is over 300. Analysis of the 2010 census data gave a probably more accurate estimate of 260. It is clear that the MDG target of 102 cannot be met.

Furthermore, inequalities in health and nutrition outcomes are tending to increase. For example, between 2007 and 2010 rates of childhood stunting increased in the poorest quintile from 40 per cent to 43 per cent while decreasing slightly from 37 per cent to 36 per cent across the total population (Riskesdas 2007 and 2010).

Indonesia's investment in health is low compared with other lower middle income countries, with government financing being only around 1 per cent of GDP and total financing only 2.2 per cent (compared with an average of 4.3 per cent in lower middle income countries). At the end of 2011 the Indonesian Government passed legislation outlining the roll-out of universal health care coverage through a unified publicly financed national health insurance scheme with policy and institutional frameworks to be operational by 1 January 2014. This will fundamentally change health financing and systems in Indonesia over the coming decade and is likely to increase significantly the government's investment in health.

Australia's health partnership with Indonesia is aimed at supporting the Indonesian Government in achieving its two overarching objectives for the sector: accelerating progress towards the off-track MDG targets, and rolling out universal coverage of essential health services. To achieve this, our portfolio currently consists of programs that work across the areas of:

- > health system strengthening, with an emphasis on primary health care financing and health workforce system reforms to improve access for poor women and children
- > maternal and neonatal health (currently only in Nusa Tenggara Timur province)
- > priority diseases impacting the poor and vulnerable including HIV/AIDS and emerging infectious diseases
- > programs under the health portfolio that complement the Poverty reduction sub program to improve health and education. This covers immunisation, prenatal care and assisted delivery.

The Australia–Indonesia Partnership for Health System Strengthening has been in its inception phase, so measurable results for the period are not yet available. However, the magnitude of the reform to the health sector that is required to introduce and support the national health insurance scheme in 2014 is considerable. The program is now ideally positioned to assist the government with this reform, aligned with its key priorities as outlined in the government's own Roadmap toward National Health Insurance 2012–2019. The Australia–Indonesia Partnership for Health System Strengthening achieved several positive outcomes through activities initiated in the design phase which are now incorporated into the program. They included the production of national-level health data that has been used as an evidence base for policy makers—including financial projections for the new national health insurance scheme—and district level data used by local governments to advocate for increased health budgets, including block grant allocations for operational costs of primary care health centres at the community level.

At a time when improvement in the Maternal Mortality Ratio at the national level has stalled, data from Nusa Tenggara Timur province show that the absolute numbers of maternal deaths have significantly declined since 2009 with support from the Australia–Indonesia Partnership

for Maternal and Neonatal Health program. Maternal deaths in the 14 program-supported districts by year were 185 in 2009, 175 in 2010, 148 in 2011 and 125 in 2012. Since January 2012 the program has contributed to 27 530 women using skilled birth attendants and 22 475 women delivering in health facilities (Nusa Tenggara Timur Provincial Health Office data). The proportion of births in a health facility in the 14 districts has increased steadily as follows: 47 per cent in 2009, 56 per cent 2010, 65 per cent in 2011 and 72 per cent in 2012. Despite the reduction in maternal deaths, neonatal deaths have not declined and have remained approximately constant over the period. Nationally, neonatal mortality accounts for 47 per cent of under-five mortality. The leading causes are low birth weight and asphyxia. Several of the supported districts are now intensifying post-natal monitoring to try to address this problem. However, it will be difficult to achieve a major breakthrough until the issue of maternal under-nutrition is adequately addressed.

The Australia–Indonesia Partnership for Maternal and Neonatal Health-supported Sister Hospital Program enables 11 district hospitals in Nusa Tenggara Timur to manage emergencies and complicated deliveries by ensuring access to specialist care—including obstetricians, gynaecologists, paediatricians and anaesthetists—and reducing maternal and neonatal deaths. In 2012 the program’s support assisted an additional 19 474 births by skilled birth attendants. This program has received recognition at the national level, with potential for replication in other provinces being explored by the Ministry of Health.

Australia–Indonesia Partnership for Maternal and Neonatal Health support to maternal and child health services by districts in Nusa Tenggara Timur has resulted in:

- > improved data collection in five of 14 supported districts and 96 of 305 supported villages issuing pro-maternal and neonatal child health decrees
- > an increase in absorption rates of the health operational assistance fund (BOK) in all districts from 77 per cent in 2011 to 92 per cent in 2012
- > an increase in absorption rates for community health insurance and community insurance for ante-natal, child birth and post natal care in all districts from approximately 55 per cent in 2011 to 71 per cent in 2012
- > an increase by all Australia–Indonesia Partnership for Maternal and Neonatal Health districts in the proportion of budget allocated to health from four per cent in 2011 to seven per cent in 2012. The target of ten per cent or greater of local government budgets spent on health is still not being achieved in some Nusa Tenggara Timur districts, with the most notable exception being Timor Tengah Selatan, which allocated 45 per cent of its local budget to maternal and neonatal child health.

The Australia–Indonesia Partnership for HIV builds on more than 16 years of Australian HIV assistance in Indonesia. It currently operates at the national level and in nine provinces: Jakarta, West Java, Banten, Central Java, Jogjakarta, East Java, Bali, Papua and West Papua. It also supports up to another eight provinces through various national programs. The aid program in Indonesia has certainly contributed to the reduction in HIV prevalence among people who inject drugs, from 52 per cent in 2007 to 41 per cent in 2011. Most new HIV infections in Indonesia are now through sexual transmission rather than unsafe injecting practices. The reason for this (possibly the role of men who have sex with men or sexual transmission from people who inject drugs to partners) is unclear, but the impetus in the national response is to shift resources to preventing sexual transmission.

The HIV Cooperation Program for Indonesia is the largest component of the Australia–Indonesia Partnership for HIV and focuses on strengthening Indonesian leadership on HIV issues and reducing transmission of the virus among people who inject drugs and in prisons. It also has a focus on preventing the spread of HIV in Papua and West Papua by developing effective behaviour change approaches, and supports a comprehensive program to address the sexual transmission of HIV in Bali. The number of needles and syringes distributed through

health services and civil society organisations increased from 646 832 in 2011 to 1 340 793 in 2012. In addition, 589 965 condoms were distributed in Bali, a 19 per cent increase on 2011, and 716 new clients were put on methadone maintenance therapy, a slight decrease from 2011.

Efforts by the HIV Cooperation Program for Indonesia to clarify a legal grey area concerning the ability of civil society outreach workers to distribute needles and syringes in the field contributed to this strong result. Sustained policy dialogue on this issue with the Ministry of Health was followed by a directive released by the ministry in 2012 confirming that outreach workers are permitted to work with public health centres (*puskesmas*) to distribute needles and syringes. This removed a significant obstacle to the provision of needles and syringes to people who inject drugs, which in turn reduces the incidence of needle sharing. The proportion of clients who reported not sharing needles and syringes in the previous week rose from 83 per cent in 2011 to 87 per cent in 2012.

The newly launched Rapidly Expanding Access and Care for HIV in Tanah Papua (REACH) program continues to improve procurement and supply chain management of anti-retroviral drugs and HIV test reagents, builds government capacity for better care, support and treatment in Papua and West Papua, and strengthens policy implementation for HIV services by health agencies. Between January to June 2012, 449 patients were receiving HIV treatment supported by REACH, compared with 377 for the period between July and December 2011. That figure is estimated to be 23 per cent of the 1936 who are eligible for treatment. There was a slight decrease to 410 in the period from July to December 2012. While in numerical terms, this represents an increase on July to December 2011, as a percentage of the estimate of patients eligible it represents a four per cent decline (from 25 per cent to 21 per cent) of the 1936 estimated people eligible for treatment at 31 December 2012. The prevalence of HIV in the Papuan provinces is 18 times higher than in the rest of Indonesia at around three per cent and rising, compared to below one per cent and falling in neighbouring Papua New Guinea.

The Australia–Indonesia Partnership for Emerging Infectious Diseases is vital to help ensure that Australia remains free of these diseases. Emerging and re-emerging zoonotic diseases such as avian influenza and rabies have affected Indonesia, and the control and prevention of these is also a priority. Indonesia has had the largest number of avian influenza cases and fatalities in the world. In 2012, 11 provinces were selected to establish a new Early Warning Alert and Response System, previously piloted with Australian support. The Australia–Indonesia Partnership for Emerging Infectious Diseases (human health) will support three of them in Nusa Tenggara Timur, Maluku and North Maluku. It is a healthy sign of the sustainability of this program that the eight other new provinces are being funded from the Indonesian budget. By early 2013, 21 provinces will have established and functioning systems. Throughout 2012 the Indonesian Government’s capacity has been steadily strengthened in the areas of zoonotic risk reduction, risk assessment and risk communication, and epidemic response. Government systems are now providing faster and more complete information about disease occurrence to decision-makers. For example, outbreak simulation exercises have strengthened emergency preparedness and response capacity, and policy guidelines are enhancing effective planning and management of disease control. In the face of the emergence of a new strain of avian influenza in Indonesia in 2012, diagnostic laboratories were capable of performing advanced tests to characterise the new virus.

A health sector delivery strategy is currently being prepared and will be finalised in 2014. In response to the changing burden of HIV, Australian support has been refocused to include increased support for the Papuan provinces. More independent evaluations are being conducted, and programs are being adjusted continuously to take account of their findings and recommendations.

Management consequences

Management consequences for 2013–14 include:

- > Finalise the health sector delivery strategy.
- > Continue planning to boost the current maternal and neonatal health work with the design of a new program to cover multiple provinces from 2014. This will include new components to address nutrition and family planning. This is a high priority, as Indonesia has unacceptably high levels of maternal mortality and childhood stunting.
- > Stalled progress on malaria control in eastern Indonesia is of concern and consideration is being given to introducing malaria control work within the expanded maternal and neonatal health program.
- > The roll-out of universal national health insurance from 2014 to 2019 is hugely challenging and will require intensive health system strengthening work if it is to succeed, especially in equipping the primary health care system to cope with the inevitable increase in demand. DFAT will provide highly targeted technical assistance to support this process at the central level and also support reform pilots in selected provinces.
- > The HIV epidemic in the Papuan provinces is extremely concerning. Australia will work in close partnership with the Global Fund to Fight AIDS Tuberculosis and Malaria to support Indonesian counterparts at national and local levels to deliver an effective response.

The follow-up of management consequences from the 2011 annual program performance report can be found in **Annex B**.

Transport and connectivity

| Objective | Current rating | Previous rating |
|--|----------------|-----------------|
| Strategic sections of the national and provincial road network upgraded or maintained to Directorate General of Highways standards | Green | Amber |
| Improved policy, planning, preparation and delivery of Indonesian Government transport priorities | Green | Amber |

Note:

- Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.
- Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.
- Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

The transport and connectivity vision set out in the Indonesian Government's National Economic Master Plan continued to be its major priority during 2012. The election of a reformist governor of Jakarta in 2012 on a mandate of improving public infrastructure demonstrates a growing public impatience with progress on infrastructure development which can be expected to further increase in the lead up to presidential elections in 2014. Challenges include managing Indonesia's rapid urbanisation, which is exacerbating already severe traffic congestion in Jakarta and other major cities, and addressing the economic cost of poor quality sub-national roads in rural areas, and the poor productivity of small ports.

Public sector spending accounts for nearly 90 per cent of total transport sector investment, with the role of the private sector limited to a small network of tolled expressways and private rail lines. The road sector in particular plays a critical role in facilitating inter-urban passenger movements and linking economic centres across the country, with central government

spending on national roads representing 60 per cent of total spending on all modes of transport. Australia has continued to support transport and connectivity through its core programs of the Eastern Indonesia National Road Improvement Project, the Indonesian Infrastructure Initiative and the Indonesian Infrastructure Support fund with the World Bank. Support to the Ministry of Transport continues to build on targeted assistance from previous years and is focusing on policy and planning for regulatory reforms in the ports, aviation and rail sectors, as well as strengthening links between the Ministry of Transport, Ministry of Public Works (Directorate General of Highways) and the transport police for improved road safety.

Progress has continued to be made in the delivery of the Eastern Indonesia National Road Improvement Project with 11 of the 20 road projects reaching substantive completion by June 2013. Past issues of implementation progress, construction quality and land acquisition have been overcome through continued close cooperation between Australia and the Directorate General of Highways. Following negotiations with the directorate, it was agreed to extend the Eastern Indonesia National Road Improvement Project loan by 21 months to 31 December 2014. Loan drawdowns over the 18 months to June 2013 were in the order of \$64 million equating to the construction of a total of 111 kilometres of high quality road over the same period. Roads have been designed and built to last 20 years, compared to 10-year design lives for other Indonesian national roads. Early assessments of the impacts of the project are very promising with evidence suggesting that vehicle speeds on the roads have increased by nearly 40 per cent, halving long-distance journey times on some roads. In the case of Sumbawa island for example, the long-distance journey between the towns of Dompu and Sumbawa Besar now takes four to five hours against previous journey times of eight to nine hours. Further data suggest that vehicle operating costs have fallen sharply and road safety has increased. Increased economic activity is also evident with traffic volumes increasing by 48 per cent.

In 2012–13 the Australian National Audit Office reviewed the management of Australia's Indonesian infrastructure activities with a particular focus on the Eastern Indonesia National Road Improvement Project and the Indonesian Infrastructure Initiative. The audit found that management of both programs has been effective, that the programs are highly valued by Indonesian Government and are delivering tangible benefits for a large number of low income Indonesians. In addition, the audit found that the aid program has acquired the institutional capability and sectoral understanding to support ongoing engagement in the infrastructure sector. Individual recommendations to improve the management and oversight of our activities have been accepted by the department and will be addressed in 2013–14 with progress to be reported in the 2013 Indonesian program aid program performance report. In particular, as recommended in the audit, in 2013 Australia will develop a delivery strategy for infrastructure encompassing both transport connectivity and water and sanitation to guide DFAT's investment in the development of Indonesian infrastructure over the next five years and improve the ability to measure program outcomes.

There is increasing evidence that Australian assistance is leveraging important policy changes and institutional reforms in Directorate General of Highways. During 2012 directorate formally adopted improved road design standards for longer life pavements, requested the use of full engineering designs (as opposed to simplified designs) on the preparation of other donor-funded programs, and introduced technical audit capital works programs funded by both the Asian Development Bank and the World Bank. These changes are all innovations first introduced under the Eastern Indonesia National Road Improvement Project. The design for the Asian Development Bank's Regional Roads Development Program phase II for example has adopted Eastern Indonesia National Road Improvement Project geometric and pavement design standards resulting in the preparation of detailed engineering designs for 600 kilometres of road improvements.

At the sub-national level, the government has shown strong interest in trialling new approaches to provincial road upgrading and maintenance. The Indonesia Infrastructure Initiative has helped develop a Provincial Road Improvement and Maintenance program, which will pilot an output-based mechanism to improve maintenance and associated governance reforms by provincial governments. Initial planning work including identifying road links for maintenance, designing rehabilitation works and allocating pre-financing from provincial government budgets commenced in early 2013 with road-works to start in late 2013. The program will initially be piloted in Nusa Tenggara Barat Province. The pilot program has significant scope for scale up to other provinces and is designed to offer a replicable model for the eventual use of national government funds.

Analytical and policy development assistance continued to be provided for connectivity and transport through both the Indonesia Infrastructure Initiative and Indonesia Infrastructure Support trust fund with the World Bank. Using the test case of the National Economic Master Plan North Java economic corridor, the Indonesia Infrastructure Initiative has supported a study to assess how the various modes of transport (road, rail, sea and air) can best be integrated and harmonised to improve connectivity and prioritise public and private infrastructure investments. In Jakarta, the Indonesia Infrastructure Initiative is collaborating with the World Bank to help improve the management and operation of the public bus system, TransJakarta, to increase productivity, customer satisfaction and ridership, and enhance the efficiency and profitability of TransJakarta's operations. Broader assistance to inform transport policy includes a public expenditure review of the roads sector, advice on increased private sector investment in the delivery of transport infrastructure, and a review of the road construction industry all undertaken by the World Bank through the Indonesia Infrastructure Initiative.

The pilot program for Provincial Road Improvement and Maintenance was designed during 2012–13 and will commence implementation in 2013. A further extension to the Eastern Indonesia National Road Improvement Program loan closing date was negotiated to 31 December 2014, and transport and connectivity sub-sector outcomes have been revised during this reporting period to better align with the overall transport and connectivity programming across the Indonesia Infrastructure Initiative, Eastern Indonesia National Road Improvement Program and the Indonesia Infrastructure Initiative trust fund with the World Bank.

Management consequences

Management consequences for 2013–14 include:

- > Implementation progress on the Provincial Road Improvement and Maintenance pilot program in 2013–14 will be critical for DFAT to assess whether the program can be rolled out at scale to other provinces. The pilot remains of high interest to the Indonesian Government, which sees it as a potential model for improving the quality of spending by sub-national government. A key test of this interest will be government's willingness to devote national budget to this program and whether this will provide the necessary catalyst to establish the government's already legislated, but as yet unfunded, Road Preservation Fund.
- > As recommended by the Australian National Audit Office, in 2013 a delivery strategy will be developed for infrastructure (encompassing both transport connectivity and water and sanitation) to guide DFAT's investment in the development of Indonesian infrastructure over the next five years and improve the ability to measure program outcomes. This work will be completed by 20 December 2013. Key issues to be considered in the strategy include determining the future focus of the Australian infrastructure program and how to best leverage Indonesian Government resources to ensure our infrastructure program strikes the right balance between interventions that target broad economic growth, and equity and access to basic services. The strategy will also consider the most efficient and

cost effective delivery mechanisms including the ongoing relevance of a large pilot project/capital works program. In addition, with DFAT delivering infrastructure support through multiple partners, there is an increasing need to ensure a coordinated and coherent approach to activity pipeline development and implementation between all partners. Further clarity on how to best capitalise on the comparative advantages of each organisation will be a key consideration to be detailed in the department's infrastructure delivery strategy.

- > Ongoing monitoring and engagement with the Indonesian Government will be undertaken to ensure that the implementation of all Eastern Indonesia National Road Improvement Program projects proceed on schedule and in accordance with a project completion date of December 2014.

The follow-up of management consequences from the 2011 annual program performance report can be found in **Annex B**.

Water and sanitation

| Objective | Current rating | Previous rating |
|---|----------------|-----------------|
| Improved sustainable service delivery of clean water | Amber | Green |
| Improved sustainable service delivery of basic sanitation and wastewater management | Amber | Amber |

Note:

■ Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.

■ Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

■ Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Indonesia is making good progress towards the MDG-defined target for drinking water—to halve the proportion of people without access to improved drinking water by 2015—but according to 2010 data there is still a large regional and urban/rural disparity in coverage (92 and 74 per cent improved water respectively). The progress towards the basic sanitation target, to halve the proportion of people without access to improved sanitation by 2015, is slow—the target is 66 per cent and the actual to 2010 is 54 per cent—but the Indonesian Government's commitment to the national plan for community-led total sanitation has helped bring attention to the different sanitation needs in urban and rural areas. Sanitation has traditionally been seen as a private responsibility but the government is moving towards greater community level responsibility.

The responsibility for and provision of water infrastructure financing is a key challenge to sustained improvements in this area. The government planned to move from predominantly centrally-funded to predominantly locally-funded local water infrastructure between 2009 and 2015, but as of 2011 local government funding still lags behind annual targets. A recent World Health Organization report shows a conservative estimate of the financial capital cost required for Indonesia to reach the MDG targets is USD4.5 billion for water and USD2.3 billion for sanitation. Barriers to reaching this level of investment include a lack of local government sense of ownership and good governance, a low level of equitable access to water, lack of inter-departmental coordination and weak utility management. A key role for DFAT is to help catalyse the governance and financing reforms needed to overcome these barriers and bridge this gap to ensure access improvement exceeds population growth, especially given rapid urbanisation and economic growth.

- > Australia is the largest bilateral grant donor for water and sanitation in Indonesia. Responsibility for the sector lies with the Ministries of Public Works, Health and Home Affairs, along with planning oversight by the National Development Planning Agency. Australia's program supports Indonesian Government priorities and works with central and local governments, the World Bank, the Asian Development Bank and the United States Agency for International Development. The program works partly through government systems to demonstrate new ways of financing local government and supporting decentralisation, and does this by leveraging grants that increase access to water and sanitation.

Addressing access, the water and sanitation *hibah* is a grant program to increase the number of households in urban areas with piped water and sanitation. Australia also supports the Indonesian Government's Water and Sanitation for Low Income Communities program through the World Bank, which provides similar support to rural areas. These activities have accelerated the water connection rate for low-income households, resulting in better quality, less expensive water. A total of 470,755 people were provided with access to safe water through our programs in 2012–13, including 340 000 through the Water Supply and Sanitation for Low Income Communities Project, and 130,755 through the water *hibah*. Another 130 000 people received access to basic sanitation through the Water Supply and Sanitation for Low Income Communities Project. Ensuring the ongoing sustainability of these achievements is a key priority, with 78 per cent of water supply systems built under the Water Supply and Sanitation for Low Income Communities Project between 2008 and 2011 still functioning well, and almost 97 per cent of beneficiaries from the water *hibah* phase 1 (2010 to 2011) indicating they were satisfied with the services provided. Women represented about 30 per cent of water committee members—31 per cent of community organisations and 28 per cent of community water management bodies were formed under the Water Supply and Sanitation for Low Income Communities Project. In addition Australia also helped Indonesia address Jakarta's critical need for additional water supply by producing a high quality pre-feasibility study on a water supply treatment system and pipeline to bring water from the Jatiluhur dam to Jakarta.

While improving access provides important direct benefits to recipients, it is the changes to financing, governance and policy that will generate longer-term and sustainable transformations of service delivery. The water *hibah* does both by influencing changes in national government sector financing structures and local government investment in utilities through its water connection program. As a result of the *hibah*, local governments have invested more in their water supply utilities and strengthened the governance of their water and wastewater operators. The Indonesian Government is able to provide more targeted funding to local governments through the *hibah*'s results-based reimbursement approach and it is examining opportunities to apply the approach to other programs.

The water and sanitation *hibah* phase 2 began late in 2012 following negotiations with the Indonesian Government to strengthen program outcomes and sustainability through multi-year programming and increase non-grant investment in utilities through commercial loans. Despite starting six months behind schedule, it connected 26,151 households by June 2013. The water and sanitation *hibah*, as well as a new grant program for small-scale sanitation systems, are behind schedule. It is expected that the *hibah* will achieve the expected targets within the planned timeframe for the activity (30 June 2015). An audit conducted by the Australian National Audit Office found that a close, positive and highly valued relationship existed between the Indonesian Government and the Australian aid program and also noted the government's assessment of the activity as both effective and good value for money.

The Indonesia Infrastructure Initiative's financial reform program for some of the most poorly performing water utilities has resulted in three utilities being approved for commercial loans through the Indonesian Government's loan subsidy program. This is the first time Indonesia utilities have received commercial loans. Five more utilities are waiting for approval for

similar loans. The resulting \$22.1 million increased annual investment will directly improve water treatment and distribution infrastructure, and the improved utility financial management systems will ensure sustainable service delivery. Indonesia Infrastructure Initiative activities have also leveraged other donor investments, with water *hibah* support from USAID (USD10 million), Australia, the Asian Development Bank and Korea investing in wastewater treatment for five cities, and the World Bank planning a sector investment program based partly on the Indonesia Infrastructure Initiative's financial reform program.

The World Bank-led, Indonesian Government-managed Water Supply and Sanitation for Low Income Communities Project 2 is the government's primary vehicle for increasing water and sanitation access in rural Indonesia, moving towards a sector approach to management. This governance improvement will help ensure the best approaches and Indonesian standards are being applied consistently across programs. Recommendations from an independent review of the Water Supply and Sanitation for Low Income Communities Project conducted in November 2012 showed that Australia's support was valuable and had resulted in a stronger, more sustainable and more transparent program. Applying the recommendations of the review will improve sector governance by improving community management of water supplies and provide district level support for those communities. The program's online monitoring information system—the only publicly accessible monitoring and evaluation system for a nation-wide development program in Indonesia—provides transparent information that enables the public to monitor and report on service quality and program outcomes.

Management consequences

Management consequences from 2011 have been acted upon. Detailed engineering design and environmental safeguards for wastewater investment plans will increase sanitation infrastructure investment in five cities by three donors, including the Asian Development Bank, resulting in increased access to piped sanitation.

Management consequences for 2013–14 include:

- > Finalise the delivery strategy for infrastructure (encompassing both transport connectivity and water and sanitation) to guide DFAT's investment in the development of Indonesian infrastructure over the next five years and improve the ability to measure program outcomes. Given the catalytic nature of Australia's programs, DFAT will work with the Indonesia Infrastructure Initiative to ensure senior Indonesian Government officials are well briefed and equipped to apply program outcomes to improve future policy development. Since some activities are behind schedule, the department will closely monitor Indonesia Infrastructure Initiative activities (including the water and sanitation *hibah*) and Water Supply and Sanitation for Low Income Communities Project 2 to improve program implementation progress, efficiency and effectiveness, and to ensure expected sector outcomes are achieved and new services have the governance and financial management structures to sustain them.

The follow-up of management consequences from the 2011 annual program performance report can be found in **Annex B**.

Social protection and community driven development

| Objective | Current rating | Previous rating |
|--|----------------|-----------------|
| Strengthened ability of the Indonesian Government to make informed and evidence-based policy and program decisions to reach the poor Note: this section includes our support to the Social Protection program, National Programme for Community Empowerment, and the Empowering Indonesia Women For Poverty Reduction Program program | Green | Green |

Note:

- Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.
- Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.
- Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Indonesia's economy continues to grow and the official poverty rate continues to fall, although at a slower rate than in previous years. March 2012's year-on-year decline of 0.5 percentage points was the smallest since 2003 (with the exception of 2006's global food price shock-induced increase). Statistics Indonesia estimated the September 2012 national poverty rate at 11.7 per cent, down from 12.0 per cent in March. There are still almost 120 million people in Indonesia living under the USD2 a day poverty line, with millions more living just above it.

In 2012–13 our support in the social protection sector focused on two major Indonesian Government initiatives. The first is the overhaul of Indonesia's social assistance programs, which provide benefits to poor individuals and households. Our primary partner for this work is the Vice President's National Team for Accelerating Poverty Reduction. The second is the National Program for Community Empowerment, which provides grants to poor communities to help villages develop small scale infrastructure, make improvements to health and education services and access microfinance through savings and loans groups. In addition to these, the new Empowering Indonesian Women for Poverty Reduction program commenced in 2012. An independent review of Australian support to the Vice President's National Team for Accelerating Poverty Reduction in early 2013 noted that the 'initiator of policy change' role played by this team has been effective and advantageous.. Australian support has enabled the poverty reduction team to conduct critical research on how government social protection programs are being implemented, and pilot activities to test how they may be improved. Development of a national unified database of program beneficiaries was one of these reforms. During 2012, all of the major social protection programmes began to use the unified database for targeting program beneficiaries. Indonesia's three largest social protection programs—the conditional cash transfer program, the scholarships for the poor program, and the rice subsidy program (*Raskin*)—are currently using the unified database to target program beneficiaries. There is also a growing demand from local governments for data to use in local poverty alleviation programs. This is a breakthrough towards improving the pro-poor targeting of all these programs

Two national-level reform pilots have generated positive results. Under *Raskin*, the Vice President's National Team for Accelerating Poverty Reduction initiative improved awareness raising by distributing information materials and a *Raskin* 'card' to recipients on the unified database. A total of 1.3 million poor households were reached, resulting in more rice being purchased per household at lower prices. On average, households that received information and cards purchased 36 per cent more rice than households that did not receive cards or additional information, and for 29 per cent less cost.

In the first phase of reforms to the scholarships for the poor program, cards based on the unified database were distributed to poor Grade 6 students making the transition to Grade 7 (normally a time of high drop-out rates). Before the pilot only 12 to 13 per cent of the poorest decile of students received support, however, through the new targeting system, this increased to 22 per cent. The causes of low take-up rates¹¹ are being further investigated in the second phase of the pilot, and numbers are expected to increase as a result.

Australia provided separate but linked support to the World Bank Partnership for Knowledge-based Poverty Reduction. This partnership delivered several flagship reports that supported the reform of the abovementioned household-based social assistance programs in Indonesia. Most importantly, a comprehensive public expenditure and program review of the eight largest social assistance programs has stimulated interest and engagement from numerous Indonesian Government implementing agencies, and provided an empirical foundation for social policy planning. The Vice President's National Team for Accelerating Poverty Reduction has used this to begin major reforms to these programs.

The National Programme for Community Empowerment is the centrepiece of the Indonesian Government's poverty reduction strategy and has national coverage. Adopting a community-driven development approach, it improves the welfare of communities through community level cash transfers for small scale infrastructure, and fosters increased participation in decision-making at local level decision making forums. Australian support to the program has been focused on building the Indonesian Government's capacity to deliver the program, ensuring decisions are informed by evidence gained through pilots and evaluations, and strengthened through improved management practices including accreditation of facilitators. Findings from the program's Rural Impact Evaluation confirmed that its impact on poverty is significant, with an increase in the growth rate of real per capita consumption in program-supported communities of 11.8 per cent more than those that do not receive the program.

Two of the large pilots that DFAT supports under the Poverty Reduction Sub Program to Improve Health and Education are *Generasi*, which aims to improve health and education outcomes in line with the MDGs, and the Revolving Loan Fund. Working with the Indonesian Government, the department provides around 40 per cent of the total *Generasi* budget, which allows the program to take place in 369 sub-districts or 3710 villages across eight provinces with around four million beneficiaries. No large scale evaluations of *Generasi* were completed in this reporting period (the next review is scheduled for 2014) but an evaluation completed in 2011 showed that the program was successful in increasing immunisation coverage and prenatal care visits, and that it assisted deliveries by between 10 and 11 per cent from 2007–2010. Anecdotal evidence from communities and facilitator reports suggests we will find similar positive results in the next review. Up to November 2012, Australian support to *Generasi* benefited 16 609 children who received immunisation services and helped skilled birth attendants attend 6521 births.

The Revolving Loan Fund Capacity Building and Sustainability Project (Approximately AUD 820 million) comprises activities to test to inform the government's actions and to build sustainability. In 2012, a legal review of the ownership of Revolving Loan Fund assets and alternatives for formalising the fund's legal status was started, as was the design of new management information systems that will improve the accuracy and transparency of fund data. The project also surveyed 3614 funds to learn about their linkages with banks and other formal institutions in the financial sector. This is an important step toward finding non-government sources of finance to help the funds continue to operate and grow after they no longer receive government grants. These activities continued to progress in 2013 and testing will begin in the second quarter.

¹¹ Due to age mismatch, exclusion of religious schools and poor socialisation.

Australian support also strengthened the community facilitation system, which is at the core of National Programme for Community Empowerment (there are around 15 000 facilitators for the program nationally), by establishing a certification institute. We worked with the Indonesian Government to develop training modules for program facilitators and provided six months of training in basic engineering to 420 local high school graduates to fill the resource gap of technical facilitators in Papua and West Papua. Our support for the Local Government Capacity Development Program has helped adjust National Programme for Community Empowerment implementation mechanisms in the Papua and West Papua provinces, and improve the Village Training Program, which strengthened the capacity of subnational governments in pro-poor planning and budgeting. In 2012, 326 government officials were trained under this program.

The Empowering Indonesia Women for Poverty Reduction Program is a new long term initiative to improve the lives of poor women and specifically targets poor women to reduce poverty and close inequality gaps. The program is supporting gender interested coalitions and civil society organisations to examine the issues facing poor Indonesian women, and to use this evidence base to pilot interventions. Evidence generated will be used to advocate for large-scale reforms that will improve women's access to services and livelihoods. The program is working through networks and coalitions of gender interested non-government and civil society organisations as well as with the national and sub-national government, parliamentarians, and the private sector. DFAT funding allows the Indonesian Government to undertake innovative activities that would not otherwise be possible due to their budgetary rigidities, and to reach the poorest women that are often marginalised and may otherwise remain without access to social protection. The first phase of the program (up to \$60 million) is for four years (July 2012 to June 2016).

Management consequences

Management consequences for 2013–14 include:

- > .
- > Finalise design and contracting arrangements to increase support to social protection by mid-2013. In response to recommendations from the recent review, DFAT will work with key partners to update governance and management structures and quality assurance processes. As Indonesia approaches a general election in 2014, Australia's support will have to become increasingly flexible as we seek opportunities to improve social protection programs.. To be well positioned to do this we will continue to support the work of the Vice President's National Team for Accelerating Poverty Reduction and increase engagement with relevant implementing agencies.
- > The increase in funding to the National Programme for Community Empowerment, and establishment of the program's road map, means that the aid program will be both supporting a larger number of programs and pilots as well as developing a sharper focus on building Indonesian Government and institution implementation capacity.. This will require more concerted and complex engagement with government than has previously been the case.
- > In 2013 we will conduct a National Programme for Community Empowerment independent progress review, which will focus on ensuring our support is being effectively managed and used, and the role and capacity of the Australian aid program team. We will use the review findings to make the necessary changes as we scale up our support over the next two years.

The follow-up of management consequences from the 2011 annual program performance report can be found in **Annex B**.

Bureaucratic reform

| Objective | Current rating | Previous rating |
|--|----------------|-----------------|
| A more performance and merit based bureaucracy impacting on improved service delivery (<i>revised objective</i>) | Amber | N/A |

Note:

■ Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.

■ Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

■ Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Indonesia's bureaucracy is hampered by a number of systemic issues. According to Ministry for State Apparatus and Bureaucratic Reform, these issues include:

- > ministries and institutions with inefficient structures that lack function
- > laws and regulations that are contradictive and ambiguous
- > public services that are overstaffed, under skilled and lack integrity
- > unclear business processes to service the public (in terms of procedures, costs and time) that are of poor quality and open to corruption
- > mindsets and organisational cultures that are not innovative and are resistant to change.

Reform of Indonesia's bureaucracy is a prerequisite for the nation to continue advancing as a middle-income country. A poor performing bureaucracy hampers investment and increases transactional costs.

The Indonesian Government is currently undertaking reform of civil service agencies. Examples include drafting the civil service law that was initiated by the Parliament and internal human resource and organisational reforms (including the introduction of e-government systems) to the Ministry for State Apparatus and Bureaucratic Reform, the National Institute for Public Administration, national civil service agencies, and some other government agencies and sub-national governments. There has been political resistance from some senior bureaucrats due to resulting uncertainty around current benefits and potential loss of power. To accelerate bureaucratic reform, the Indonesian Government has budgeted allocations for performance incentives. In 2012, 36 central ministries and institutions implemented reforms and are now receiving higher remuneration as a result—an increase from 16 institutions in 2011.

With higher remuneration, the expectation is that corruption will decrease as civil servants receiving additional performance based incentives are no longer struggling to survive. While there are still cases of corruption in agencies receiving additional remuneration, the fact that these cases are being seriously investigated is a positive sign that overall, changes in the system are beginning to have an impact. The challenge moving forward will be to further consolidate advances, including new laws on public service promoting, open recruitment and merit-based appointments and promotions.

There are three elements to the DFAT aid program bureaucratic reform program:

- > strengthening the internal capacity of the Ministry of State Apparatus and Bureaucratic Reform to lead reform at national and local government levels to widen coverage

- > strengthening the capacity of civil society organisations, universities, media and the parliament to advocate, oversee, lobby and support the implementation of bureaucratic reform plans and agendas
- > establishing a hub of bureaucratic reform that acts as the coordinating mechanism for Australian support to reform programs in Indonesia.

Australian support in this sector has provided a number of tangible results through our Reform the Reformers program. A new performance management system has been introduced together with a range of new regulations to major central institutions that replace the old performance management tool. We have supported internal restructuring within the Ministry for State Apparatus and Bureaucratic Reform based on the organisational assessment facilitated by the Reform the Reformers program. This has brought about more transparent and competitive recruitment of all new and vacant positions in the ministry and for the heads of institutions such as the National Institute for Public Administration and Bureau of Civil Service. A ministerial circular providing standard operational procedures for open selection processes has been issued, and is currently being adopted by the province of Jakarta for sub district positions.

An organisational assessment of the Ministry for State Apparatus and the Bureaucratic Reform was also completed in 2012, and Reform the Reformers supported the Ministry for State Apparatus and Bureaucratic Reform to commence an assessment of the Ministry of Home Affairs and the Ministry of Agriculture.

Indonesia's Ombudsmen and the Ministry for State Apparatus and Bureaucratic Reform have also agreed to work together to create a national handling complaint system for the public service. Training has been undertaken for 3888 individuals, including 1263 women, while strategies to promote bureaucratic reform have also been developed jointly with civil society organisations, five national and 30 local non-government organisations. Eight national media corporations and seven electronic media outlets are also distributing information on bureaucratic reform to the public.

Ongoing discussion on proposed governance arrangements will continue with the vice minister. This process is expected to be completed by 2013 and to result in tangible improvements to services that are delivered to the poor.

Management consequences

Management consequences for 2013–14 include:

- > Merging bureaucratic reform work with DFAT support in decentralisation to allow for better information flow to national policy makers.
- > Ensuring cross-sectoral collaboration to ensure information flows from human development sectors are also fed into policies to improve civil service standards.

The follow-up of management consequences from the 2011 annual program performance report can be found in **Annex B**.

Climate change

| Objective | Current rating | Previous rating |
|---|----------------|-----------------|
| REDD+ demonstrated to be practical, effective and equitable | Red | Amber |

Note:

■ Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.

■ Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

■ Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

As a country that is both highly vulnerable to the impacts of climate change, and a significant contributor to global greenhouse gas emissions—primarily through emissions from degraded peat land and deforestation—climate change remains important for Indonesia, and a stated priority for Indonesia’s president.

Progress on the issue remained mixed in 2012. Through a significant coordination effort, sectoral line ministries and most provincial governments completed plans that outline how they will contribute to the overarching National Action Plan for Reducing Greenhouse Gas Emissions, which aims to reduce emissions by 26 per cent relative to business as usual. However, implementation in some areas has proven difficult, and national efforts have not been aided by slower than expected progress on a comprehensive global agreement on climate change. Five years after key climate change negotiations in Bali, work on reducing emissions from deforestation and forest degradation (REDD+) continues to progress slowly on the ground. The presidential REDD+ Taskforce—established as part of the USD1 billion letter of intent with Norway on REDD+—is delivering results in targeted areas, including strengthening inter-agency cooperation on law enforcement, but some major outputs are well behind schedule. A national REDD+ agency, REDD+ funding mechanism and an independent measurement, reporting and verification institution have yet to be established.

Australia is supporting climate change action in Indonesia primarily through the Indonesia–Australia Forest Carbon Partnership and targeted cooperation on green economic development. In 2012 and 2013, the partnership’s two main activities—the Kalimantan Forests and Climate Partnership REDD+ demonstration project and the Indonesian National Carbon Accounting System support program—helped build the foundations for a REDD+ system in Indonesia by trialling new approaches and building national capacity. Following comprehensive community consultations, formal village agreements were finalised with communities in the Kalimantan Forests and Climate Partnership area in early 2012. These formed the basis for cooperation with, and payments to, local communities. The program is also supporting local communities by helping farmers improve agro-forestry and farming methods, helping 35 community nurseries to raise an additional 1.2 million seedlings for planting, and testing results-based payments for reforestation and blocking small canals, providing additional income sources for 1600 households. The Kalimantan Forests and Climate Partnership also supported establishment of local institutions in the area, including a forest management unit to provide an institutional structure for more sustainable management of forests in the future. Emerging lessons and research generated by the program are being documented and disseminated to help inform national and international REDD+ efforts.

Support for the Indonesian National Carbon Accounting System is helping to build capacity in measuring, reporting and verifying greenhouse gas emissions from land use change in Indonesia. With strong partner ownership and growing technical capacity, the initiative made good progress, including the roll out of national land-cover change maps for Papua and Sumatra islands showing detailed forest loss and gain for the period 2000 to 2009. A pilot carbon account for Kalimantan is currently under development in line with international best practice. The program is positioned to make a contribution to a planned national system for the measurement, reporting and verification of emissions. Strengthened relationships at the national level supported progress on Indonesian National Carbon Accounting System programs in the reporting period.

While components of work under the Kalimantan Forests and Climate Partnership ended in June 2013, Australia and Indonesia agreed to extend some activities for a further year to maximise impact. Work under the Indonesian National Carbon Accounting System will also be extended by a further year to allow for the completion of key products. Future cooperation will be considered by the two governments over the coming year.

As a demonstration activity, the intention of the Kalimantan Forest and Climate Partnership was always to help test how REDD+ might operate in practice. The partnership has been able to test a range of approaches, however, consistent with the findings of a mid-term review in 2011, the partnership has not met the ambitious objectives set out in its 2009 design. When the Kalimantan Forests and Climate Partnership and Indonesian National Carbon Accounting System programs were designed in 2008–09 they were firsts. The activities were launched with the goal of informing international negotiations for a post-2012 climate change agreement. Timelines were overly ambitious. Globally, REDD+ has proven more difficult to implement than anticipated and has struggled to meet expectations that it could provide a solution to a broad range of development problems quickly.

Australia also provided targeted support in 2012 and 2013 to the Ministry of Finance and the National Development Planning Agency to support work on carbon pricing and implementation of Indonesia’s National Action Plan to Reduce Greenhouse Gas Emissions. In 2012, the Vulnerability and Climate Change Adaptation project finalised development of local-level guidelines for climate change risk assessments, as well as the identification and prioritisation of adaptation options, and their integration within development and spatial plans. Lessons from this local-level experience have informed a national strategy for climate change adaptation.

While progress improved in a number of areas in 2012–13, and a 2011 mid-term review identified that design timeframes were overly ambitious, the fact that the Kalimantan Forests and Climate Partnership ended in June 2013 means that all originally planned objectives will not be met and a red rating is applicable. A limited number of partnership activities will be extended for one year to maximise impact and the sector objective will be revisited next year accordingly.

Management consequences

Management consequences for 2013–14 include:

- > Discuss with the Indonesian Government joint priorities in the sector beyond 2013–14. Synthesise and disseminate results from work to date as a priority.
- > Cooperate with the Ministry of Finance and the National Development Planning Agency to increase green economic development in 2013–14.

The follow-up of management consequences from the 2011 annual program performance report can be found in **Annex B**.

Decentralisation

| Objective | Current rating | Previous rating |
|--|----------------|-----------------|
| Improved performance of local governments in delivering services to the poor | Amber | Amber |
| Strengthened capacity of citizens and civil society organisations to engage and demand for better service delivery | Green | Green |

Note:

■ Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.

■ Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

■ Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

In 2012, Indonesia consisted of 530 local governments (33 provinces, 399 districts and 98 municipalities). According to data produced by the Ministry of State Apparatus and Bureaucratic Reform, 75.76 per cent of the provinces were evaluated by the ministry to have performed at an acceptable level or above—an increase from 63.33 per cent in 2011. At the district and municipality level however, only 24.37 per cent achieved the same rating. Although significantly higher than 2011 (12.22 per cent), over 75 per cent of district/municipality level governments lack the necessary performance management systems and require fundamental improvements to provide quality services to their citizens. The policy environment in decentralisation continues to be unstable. There are ongoing regulatory changes and new bills are being drafted to change the main laws on decentralisation, which is adding uncertainty to the existing lack of skills, knowledge and systems in many local governments. Overall this is concerning as it impacts on the long-term sustainability of sectoral support for human and social development initiatives in Indonesia. It also means that a majority of local governments simply lack the ability and systems to maintain progress made through direct interventions to improve health, education, infrastructure and other critical areas of development. The poor performance of local governments has been further exacerbated by the low disbursement of funds transferred, with a cumulative underspend of around \$70 billion reported for 2012.

A number of constraints in this sector have hampered progress. For instance, there is a lack of clarity to establish performance-based incentive systems, delays due to new national government mechanisms on reporting grant funding support, limited capacity in local parliaments to represent their constituents, a shortage of qualified trainers, and weaknesses in frontline agencies to deliver mandated services. Many of the issues point to the need for fundamental systemic reforms in Indonesia's bureaucracy, and strategies to overcome the prevalence of short-term interests and rent-seeking based politics. Current programs are also too scattered with insufficient geographic coverage to provide the required critical mass of change needed to influence national and sub-national policies. Improved mechanisms to feed into national level policy formulation are also needed, including to replicate and influence national resource allocation. Inter-linkages with sectoral programming—including health, education, disaster risk reduction and infrastructure—need to be further developed to ensure local governments are able to appreciate and incorporate sectoral improvements into their annual plans and budgets.

The Australian aid program in this sector covers 10 provinces and 40 districts, as well as key central government ministries—the Ministry of Home Affairs, Ministry of Finance and the Ministry for National Development Planning. Different approaches have been applied based on local conditions and needs, including collaboration with the United Nations Development Programme (Partnership for Governance Strengthening Program) the World Bank, (Consolidating Peaceful Development in Aceh) and coordination with the USA, Canada and Germany on common monitoring and evaluation frameworks. The scope and specific strategies of Australia's contribution to decentralisation development challenges is small relative to Indonesia's overall budget, so our programs are taking a targeted approach to model good practice in key areas such as evidence-based budgeting, investing in both the demand and supply sides of the service delivery equation. While we are achieving encouraging results in some strategic areas, these programs are currently not yet working at the scale needed to show impact.

In our current targeted areas, we have worked to support district governments to better understand the needs and priorities of communities and to implement evidence-based planning and budgeting processes to effectively allocate resources to address these. A total of 168 district government service units in Aceh (99 schools, 35 health clinics, four women's development centres and 30 local government offices) are implementing minimum service standards and transparent management practices. The resulting improved performance has convinced the Aceh provincial government to collaborate with Australia to expand to 538 units in 2013.

A total of 80 per cent of district governments in West Nusa Tenggara, East Nusa Tenggara, South Sulawesi and Southeast Sulawesi have benefited from Australia Community Development and Civil Society Strengthening Scheme interventions to apply participatory approaches in public policy making and budgeting, increase their health and education budgets, and use participatory village planning documents to inform district level planning. Village governments have issued 1953 local regulations (including 80 district regulations) to ensure better service delivery at the frontline, where regulations form the basis of future budget allocations.

The support in the district of West Lombok, West Nusa Tenggara has empowered the community to engage local government to address low school enrolments. Through the complaint centre they identified couples who were married in religious ceremonies and were not issued a marriage certificate. The district government then provided free marriage certificates to 3500 couples and allocated budget of IDR500 million (\$50 000) in 2013 to rectify marriage administration and improve the service so it is more accessible for couples in remote areas.

To provide the evidence needed to increase health, education, and related infrastructure spending as a proportion of total spending, the Australia–Indonesia Partnership for Decentralisation has commissioned a public expenditure revenue analysis in 21 target local governments, which will be finalised in 2013. Three local governments have been supported to develop improved medium-term plans and 17 have received assistance to produce better annual plans through planning and budgeting clinics. In all, 1789 (including 656 women) local government officials were trained in accounting, asset management, internal audit, and reporting during 2012. Engagement with local parliaments led to improved legislative and executive coordination, which resulted in on-time budgets delivered in 17 out of 25 target sub-national governments in 2012. At the request of the Ministry of Finance, the Australia–Indonesia Partnership for Decentralisation also funded a team of experts to produce central government policy briefs for the minister and draft regulations to improve functioning of decentralised government systems.

Australian support to improve the ability of citizens and civil society organisations to demand better services remains positive. In all 20 districts covered by the Australia Community Development and Civil Society Strengthening Scheme, community groups, networks and associations are growing. The number of community centres across the 20 districts has increased from 398 in January 2012 to 853 in December 2012. Community centres in Southeast Sulawesi increased from 28 to 46 in the last six months of 2012. These centres are able to address issues related to health, education and village administration. In the last quarter of 2012 the number of voluntary community-based organisations facilitated by 200 local non-government organisations supported through the scheme has increased by 22 per cent from 2554 to 3134. These organisations promote economic livelihoods, and improve education and public health services in their relevant location.

In 2012 there was a delay in implementing the Australia–Indonesia Partnership for Decentralisation's annual work plan, which was caused by the Indonesian Government's introduction of new grant accounting procedures. The program team has largely overcome these problems with support from regional counterparts. The planned amendment to the

program's subsidiary arrangement provides an opportunity to rectify the current governance arrangements and avoid future delays.

Unfortunately, planned development of a joint secretariat in 2011 between the three key ministries working in decentralisation (the National Development Planning Agency, Ministry of Finance and the Ministry of Home Affairs) did not occur, and each is still developing a separate work plan. The effectiveness of the secretariat proposal will be reviewed by the end of 2013. An inventory of key decentralisation products has been developed and will contribute to plans around improving frontline service delivery units, while the planned decentralisation policy support facility is still being developed.

Management consequences

Management consequences for 2013–14 include:

- > Develop delivery strategy for the decentralisation sector.
- > Conduct independent progress review of the Australia–Indonesia Partnership for Decentralisation in early 2014. This will assess progress of the program to date, review what does and doesn't work, and what needs to be done to improve implementation in the remaining period.
- > Determine the geographic spread and number of local governments that should be supported directly by DFAT to influence national and sub-national policies (for example, 20 per cent of all district governments in 30 per cent of provinces).
- > Develop stronger mechanisms and partnerships to feed into national level policy formulation, including merging work between bureaucratic reform and decentralisation sectors.
- > Strengthen coordination and inter-linkages with sectoral programming by ensuring overlaps and joint results frameworks.

The follow-up of management consequences from the 2011 annual program performance report can be found in **Annex B**.

Disaster risk management

| Objective | Current rating | Previous rating |
|---|----------------|-----------------|
| Australia effectively and appropriately supports the Indonesian Government and communities to better prepare for, manage and reduce the risks of disasters (<i>revised wording</i>) | Green | Green |

Note:

■ Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.

■ Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

■ Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Indonesia is one of the most disaster prone countries in the world and in the last 10 years, natural disasters have killed over 200 000 people. It experiences more earthquakes than any other country. It has over 120 active volcanoes and, on average, experiences a fatal tsunami every three years. Combined with devastating annual floods, Indonesia is ranked 12th globally in mortality risk from multiple hazards and 40 per cent of its population live in at-risk areas. Disaster risk management is an Indonesian Government priority, as reflected in the medium-term development plan (2010–2014) and the president’s master plan for reducing tsunami risk. Investing in disaster risk management strengthens the bilateral relationship with Indonesia and positions Australia as a leading donor in the sector and valued partner for disaster response. It also provides a strategic platform for the two countries’ military and civil institutions to cooperate on what is a significant regional issue.

Indonesia has demonstrated its intention to manage all but the largest disasters, and has become increasingly open about its reluctance to request international assistance. This was apparent during the floods that struck Jakarta in January 2013 when 41 people were killed and an estimated 45 000 were displaced, but only limited international assistance was required. Nonetheless, Australia continues to ensure that we are prepared to offer help when the inevitable large-scale disaster occurs, and ready to build Indonesia’s capacity to handle larger and more complex events without the need for international assistance.

The disaster risk management sector in Indonesia is new, evolving and complex and the Indonesian Government faces significant challenges to its goal of better self-managing disasters. The Indonesian National Disaster Management Agency and provincial and district disaster management agencies were only established in 2007. The disaster management policy framework is not fully developed or resourced, organisational systems are not fully aligned with the emerging policy framework, and organisational capacity of relevant agencies is generally low, particularly at the sub-national level.

Australia and Indonesia work in partnership to improve Indonesia’s ability to prepare for, manage and reduce the risk of disasters. A major part of our partnership is delivered through the Australia–Indonesia Facility for Disaster Reduction, which works closely with the National Coordinating Agency for Disaster to develop and implement programs and activities that support Indonesian and Australian priorities. The Australia–Indonesia Facility for Disaster Reduction uses Australian and Indonesian science to better identify natural disaster hazards and risks. This data underpins training, planning and mitigation activities for national and sub-national disaster managers, and builds Indonesian capacity to better manage disasters. The facility also works with key community sector organisations and non-government organisations to ensure vulnerable communities are better prepared. Australia also provides international and Indonesian technical expertise to work directly with the National

Coordinating Agency for Disaster, and provincial and district disaster management agencies, to develop relevant disaster risk management policies and improve organisational capacity.

Australia also works with multilateral and regional bodies to ensure they are better prepared when a major disaster occurs. In 2012 for example, Australia–Indonesia Facility for Disaster Reduction support for the ASEAN Agreement on Disaster Management and Emergency Response—and to establish the ASEAN Coordinating Centre for Humanitarian Assistance on Disaster Management—ensured regional capacity to prepare and respond to disasters was significantly strengthened. The DFAT aid program provides core support to the United Nations Office for the Coordination of Humanitarian Affairs to maintain a presence in Indonesia, and to support the ASEAN Coordinating Centre for Humanitarian Assistance on Disaster Management in coordinating appropriate responses from international actors.

DFAT is responsible for ensuring that Australia provides an effective disaster response within 48 hours of a request for assistance. This includes maintaining close partnerships with all major actors in Indonesia to ensure we are well placed to support an effective disaster response. In the 24 months to December 2013, no disasters within Indonesia required significant international assistance.

In 2012, the aid program in Indonesia continued to strengthen its own in-country response capacity. The Jakarta Disaster Response Plan was published in December 2012, and provides comprehensive policies and procedures for a DFAT-led Australian response. We maintain an emergency response team capacity of 60 staff ready to implement a disaster response where Australian assistance is required. A disaster response advisor reports to Indonesia’s National Coordinating Agency for Disaster’s deputy for emergency management.

Throughout the reporting period, Australia and Indonesia achieved significant progress against sector objectives. A key focus has been developing and applying training materials for Indonesian disaster managers to address fundamental skills gaps. The Australia–Indonesia Partnership Facility for Disaster Reduction has directly supported training for more than 6000 people of whom more than 40 per cent were women. As a result, the National Coordinating Agency for Disaster is now training provincial and district disaster managers using materials produced through the partnership facility. To date, the agency has trained 388 disaster managers in eight provinces.

An independent progress report was completed in September 2011 for the Australia–Indonesia Partnership Facility for Disaster Reduction, and found the facility’s relevance is strong, that it is aligned with the policies and priorities of both the Australian and Indonesian governments, and that it makes humanitarian and economic sense to invest in disaster risk management. The report also identified the need to focus more at the sub-national level. The partnership facility’s subsequent focus on sub-national programming has led to 192 villages meeting Indonesia’s standard for disaster preparedness.

In 2012, the Australia–Indonesia Partnership Facility for Disaster Reduction continued to support Nahdlatul Ulama, one of Indonesia’s largest Islamic organisations, to advocate for stronger disaster risk management at the district level. Nahdlatul Ulama was chosen for work in East Java as it is a respected, credible and extremely influential partner able to achieve tangible changes in government policy. A key success of the program has been the ratification of local regulations in disaster management in eight target districts. The regulations serve as a legal basis to establish local provincial and district disaster management agencies, clarifying roles and responsibilities and allowing agencies to access funds from the National Coordinating Agency for Disaster to conduct disaster management activities.

Australia and Indonesia are also pioneering new ways to use science and technology to improve disaster planning. In 2012 Australia and the National Coordinating Agency for Disaster and the World Bank launched the Indonesia Scenario Assessment for Emergencies (InaSAFE). This innovative open source software allows disaster managers to produce

realistic natural hazard scenarios to underpin contingency planning. The software is bridging the gap between science and practice and was recognised internationally as one of the top 10 open source software projects in 2012. The Australia–Indonesia Partnership Facility for Disaster Reduction’s programs to help Indonesia’s science agencies understand earthquake hazards and impacts have enabled Indonesia’s Geology Agency to develop new earthquake hazard maps for seven provinces, as well as produce real-time earthquake impact assessments for 160 earthquakes since November 2012.

June 2013 marks the end of the first five-years of the Australia–Indonesia Partnership Facility for Disaster Reduction. At the opening of last year’s Asian Ministerial Conference on Disaster Risk Reduction in Yogyakarta in October, President Yudhyono acknowledged Australia as a trusted and respected partner in this sector using the facility as the exemplar of Indonesia’s bilateral partnerships in disaster risk reduction. This level of trust has positioned Australia to effectively influence and support key policies that govern issues such as community resilience and Indonesia’s approach to including those with disability in disaster risk management.

The success of the facility, and the need for the partnership to continue, was also highlighted in the independent progress review. In line with the key management consequences from the 2011 annual program performance report, Australia has developed a concept note for a new program that was endorsed by the Australia–Indonesia Partnership Facility for Disaster Reduction’s executive committee at its August 2012 meeting. The strategic programming committee subsequently approved this in September 2012. The concept outlines an eight-year partnership in disaster risk management that will begin in July 2014 and leverage off the successes of the first phase of the facility—this has also been extended through to June 2014 to ensure continuity. DFAT will also continue to maintain its operational capacity to lead an Australian response to any major disaster in Indonesia.

Management consequences

Management consequences for 2013–14 include:

- > DFAT and the National Coordinating Agency for Disaster will design the next phase of our disaster risk management partnership in-line with the concept note that was approved in late 2012. The design will also be a basis for developing a delivery strategy for the disaster management sector.
- > DFAT and the National Coordinating Agency for Disaster will agree a strategy to identify the successes of the first phase of the Australia–Indonesia Partnership Facility for Disaster Reduction and key lessons that can guide implementation of the next phase.

The follow-up of management consequences from the 2011 annual program performance report can be found in **Annex B**.

Economic governance

| Objective | Current rating | Previous rating |
|--|----------------|-----------------|
| Improved Indonesian Government capacity to ensure macroeconomic and financial market stability (<i>revised objective</i>) | Green | N/A |
| Improved Indonesian Government capacity to raise tax revenues efficiently and with integrity | Green | Amber |
| Improved public financial management to support quality of public spending | Green | Amber |
| Improved Indonesian Government capacity to use trade and investment policy to promote the international competitiveness of the Indonesian economy (<i>revised wording</i>) | Amber | Red |

Note:

- Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.
- Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.
- Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Indonesia's overall macroeconomic situation remains robust although some risks are emerging. Economic growth has been strong at 6.2 per cent and this is expected to continue. Indonesia's fiscal deficit and public debt levels remain low and inflation, though volatile, remains within the target range. However the current account has recently moved into deficit, increasing Indonesia's exposure to external financing risks, while the future strength of investment may also prove weaker than expected due to lower commodity prices and heightened concerns over the regulatory environment.

The Economic Governance program supports key Indonesian Government agencies to improve their capacity to manage the economy and contribute to inclusive economic growth and poverty reduction. Limited institutional capacity, unclear decision making authority, and weak coordination across government are major obstacles for economic reform in Indonesia. The political dynamics are also challenging, necessitating an approach that emphasises the development of long-term relationships with individual government institutions, while remaining flexible and responsive to reform opportunities. This is particularly important given Indonesia's upcoming general and presidential elections in 2014.

Strong government-to-government partnerships at the individual agency level through the Government Partnerships Fund provide Australia with a meaningful voice on many important economic policy issues facing Indonesia. In addition, technical assistance under the Australia-Indonesia Partnerships for Economic Governance and the World Bank implemented Support for Enhanced Economic and Fiscal Policy Analysis further supports Indonesia to address key economic reform issues in a highly flexible and responsive manner. All three programs are closely coordinated with each other and the work of other donors, particularly that of the World Bank – the other leading donor in economic governance.

Support for Enhanced Economic and Fiscal Policy Analysis is helping Indonesia's Fiscal Policy Agency to strengthen its capacity for macroeconomic monitoring and fiscal policy analysis. This support has led to considerable improvements in the agency's analytical methods and provided strong and timely evidence to inform government policymakers on critical issues such as fuel subsidy reform, budget execution blockages, and the emerging current account deficit. The Support for Enhanced Economic and Fiscal Policy Analysis program also produces the Indonesia Economic Quarterly. This has significant reach—2850 copies are distributed every quarter and there are about 5500 hits online each month—and

high-level influence, with senior Indonesian Government officials and private sector representatives participating in panel discussion events.

Indonesia's financial sector has remained largely stable over the past two years, contributing to the overall stable macroeconomic environment. Banking indicators are sound and equity and bond markets have been buoyant. The independent financial services authority of Indonesia—OJK—was established in 2011 to take over regulation and supervision responsibilities in banking, non-banking financial institutions, and capital markets from Bank Indonesia and the Ministry of Finance. Successful transition to this new body is critical for the future of Indonesia's financial sector stability, and is the major institutional reform in economic governance currently underway. The Australia–Indonesia Partnerships for Economic Governance has been providing highly valued assistance directly to the OJK board of commissioners on critical issues such as organisation structure, remuneration framework and levy structure. In addition, the Australian Prudential Regulation Authority and Australian Securities and Investments Commission have provided capacity building under the Government Partnerships Fund to OJK on risk-based supervision and financial market development.

Tax collection in Indonesia is extremely weak and is a major limit on the public resources available to finance much needed infrastructure, service delivery and social assistance. Despite some slow improvement in tax compliance, tax revenue remains sub-par compared to Indonesia's peers at only 11.9 per cent of GDP in 2012 and much lower than the 18 per cent tax potential estimated by the International Monetary Fund. Australia–Indonesia Partnerships for Economic Governance assistance to the Indonesian Tax Directorate General focused on helping the agency deliver the higher revenues Indonesia sorely needs while strengthening the directorate's integrity. In 2012, the program's support in transfer pricing resulted in the directorate establishing a unit to increase compliance, and potentially tax collection, from multinational companies. Tax base broadening support has also helped with the implementation of a national taxpayer census that resulted in an increase in taxpayer registrations of more than 442 000 to date and removal of 65 000 duplicated taxpayer records. Significant progress has also been made to strengthen internal investigations and other integrity functions within the agency. The Australian Taxation Office supports the Indonesian Tax Directorate General, which is closely coordinated with support from the Australia–Indonesia Partnerships for Economic Governance.

On the expenditure side, budget execution remains challenging, particularly for capital and material expenditures, making it more difficult for Indonesia to meet its considerable infrastructure challenges. Budget execution is expected to slightly improve in 2013, supported by the integration of the budget preparation process at the Budget Directorate General, Ministry of Finance, and revised procurement regulations. However implementation of capital projects is likely to remain challenging as the new law and associated regulations have only recently been put in place and will need time for dissemination. Quality of spending continues to be a major area of concern and Indonesia has continued to struggle with implementation of a medium-term expenditure framework and performance-based budgeting—key reforms intended to improve both budget execution and spending quality.

- > Australia, through the Australia–Indonesia Partnerships for Economic Governance and Indonesia's Department of Finance and Deregulation, supports Ministry of Finance (Directorate General Budget), the National Development Planning Agency and several line ministries to improve expenditure management. These include the Ministry for Public Works, Ministry of Home Affairs, and Ministry of Health, and work is coordinated with other Australian programs assisting these ministries. With major reform legislation and regulations already passed, Australian support focuses on implementation challenges for the medium-term expenditure framework and performance-based budgeting reforms, as well as the introduction of accrual accounting. This has included support to improve various budgeting guidelines, processes and analytical methods, support for line ministries

to improve budgeting capabilities, as well as direct support on policies, regulations and training materials to implement financial reporting on an accrual basis.

Indonesia's international competitiveness has declined in recent years, as reflected in global rankings such as the World Economic Forum's Global Competitiveness Index. This reflects a variety of issues including inefficient government bureaucracy, corruption, inadequate infrastructure, and restrictive labour market regulation. Making the situation more difficult, Indonesia has displayed growing signs of protectionism over the past two years, with the introduction of several interventionist policy measures in areas such as agriculture and mining. Within this difficult overall trade environment, the Australia-Indonesia Partnerships for Economic Governance has maintained its policy assistance to the Ministry of Trade on international trade in services, delivering studies, reports and audits that have enhanced the ministry's ability to engage in trade negotiation processes and assisted it to track Indonesia's compliance with international obligations. The Australia-Indonesia Partnerships for Economic Governance has also been providing support to establish a one-stop-shop to integrate the ministry's licensing processes, a business enabling reform that has won acclaim from Indonesia's Open Government Initiative.

The management support team of the Australia-Indonesia Partnerships for Economic Governance Phase II has recruited a new facility director with high-level skills and knowledge in economic governance and Indonesia, as well as a senior economist to assist in scoping new priorities. The composition of the Australia-Indonesia Partnerships for Economic Governance and Department of Finance and Deregulation governance board has also been bolstered by two prominent Indonesian private sector figures. This will strengthen the board's ability to target support to priority reforms. Processes have also been reformed to deepen board oversight through pre-board meetings to integrate Indonesia's Department of Finance and Deregulation and the Australia-Indonesia Partnerships for Economic Governance, and to bring Indonesian counterparts closer to decision-makers on the board. This will also address coordination and wider cross-section issues addressed in the last annual program performance report.

Management consequences

Management consequences for 2013-14 include:

- > Finalise the Economic Governance Delivery Strategy to align with the country strategy development timeframe.
- > There is strong interest in both governments to expand the economic governance program into new areas to meet emerging priorities. In 2013, the Department of Finance and Deregulation increased the number of partnerships under the program with a new Department of Foreign Affairs and Trade-Ministry of Trade partnership and an Austrade - Indonesian Investment Coordination Agency partnership. The Australia-Indonesia Partnerships for Economic Governance is also considering expanding into new areas of engagement. This will include considering other investments in trade and investment policy and support to improve management of Indonesia's mining sector for better growth and development outcomes.
- > Mid-term reviews of the Department of Finance and Deregulation and Support for Enhanced Economic and Fiscal Policy Analysis are also planned in 2013 to examine program effectiveness.

The follow-up of management consequences from the 2011 annual program performance report can be found in **Annex B**.

Elections

| Objective | Current rating | Previous rating |
|---|----------------|-----------------|
| Improved performance of electoral management bodies in managing and delivering quality elections (local and national) | Amber | Amber |
| Increased public engagement in Indonesia's elections and electoral systems | Amber | Amber |

Note:

- Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.
- Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.
- Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Indonesia is 15 years into a democratic transition that has radically reshaped political processes and the relationship between citizens and the state. Entrenching a robust electoral system is a vital step in consolidating Indonesia's democracy. Indonesia has held three parliamentary elections for national, provincial and district parliaments in 1999, 2004 and 2009, and two direct presidential elections in 2004 and 2009, with the next to be held in 2014. A second cycle of five-yearly direct elections for 33 provincial governors and over 500 district/municipality heads is almost complete.

Elections held in 1999 and 2004 resulted in smooth and orderly transitions of power. However the 2009 elections revealed a number of issues in the management of electoral systems and processes which, if not for incumbent President Susilo Bambang Yudhoyono's significant winning margin, may have compromised the credibility of the election. Of most concern were inaccuracies in the voter list, errors in vote tabulation, and a high level of invalid votes. These issues were exacerbated by limitations in the human resource capacity of election management bodies, and an ambiguous and changing legislative framework. There was also a significant decrease in public participation in the electoral process—including election monitoring, observation on election day, and voter education—in part due to funding constraints experienced by Indonesian civil society organisations.

Australia's support to this sector is delivered through the Australia–Indonesia Electoral Support Program, a five-year program from 2011–2015 of up to \$22 million. The program aims to support Indonesia's efforts to conduct well-organised elections, and enhance the quality of elections, by building the capacity of electoral management bodies and increasing public engagement in electoral processes. Despite delays in Indonesian Government approvals for some planned activities under the program, most were implemented over the reporting period and delivered effective results. This included Australian support for Indonesia's General Elections Commission to develop an accurate list of Indonesia's approximately 190 million voters and a mechanism for allocating these voters to polling stations managed by over 500 field offices. The list will be used for the 2014 national elections and the open source software developed to generate it will likely be used to replicate the process for future elections. This will be the largest electronic election management system in the world and has already resulted in an international award for the General Elections Commission which acknowledges its innovation.

Throughout 2012 and 2013, Australia continued to support the long-standing and highly regarded relationship between the Australian Electoral Commission and the General Elections Commission. A key component of this support was the delivery of the Building Resources in Democracy, Governance and Elections (Election BRIDGE) program, a training initiative for election officials on internationally-regarded good practices in electoral management. In 2012,

the Australian Electoral Commission delivered this training to over 365 General Elections commissioners and staff in 14 provinces, bringing the total number of provinces in which training has been delivered to 28. An independent progress review in 2012 found that the Election BRIDGE program provided a useful foundation for General Elections Commission staff in electoral administration, management and operations. At the commission's request, DFAT will continue to support this training to reach the remaining six provinces. This will bring the total number of participants to 825. The General Elections Commission values this training, as evidenced by the fact that it is contributing one-third of the cost of delivering it. Australia expects that the commission will ultimately fund and deliver all Election BRIDGE training in Indonesia, though this is not likely to occur for several years.

With Australian support, Aceh's Independent Election Commission, in collaboration with local civil society organisations, developed and implemented a voter education program in the lead-up to Aceh's gubernatorial elections in April 2012. A poll conducted by the International Foundation for Electoral System found that there had been a significant improvement in public knowledge of the elections as a result of this initiative—in December 2011, 79 per cent of voters felt they lacked information on the election process, a number which had reduced to 59 per cent two weeks before the election. In combination with other initiatives, including the Australian-supported Aceh Electoral Monitoring Agency call centre, this increased public confidence in the electoral process and contributed to 76 per cent of voters casting a vote on the day compared to an average of less than 69 per cent in other sub-national elections during the reporting period.

Delays in annual work plan approvals from the Indonesian Government postponed the implementation of Australia–Indonesia Electoral Support Program activities due to commence between August 2012 and April 2013, which included the vast majority of planned Australian support for increased public engagement in Indonesia's elections and electoral systems. Australian-supported activities relating to civil society participation in drafting election regulations were subsequently cancelled, as the lack of time remaining would have compromised the effectiveness of this support. The civil society component of the Australia–Indonesia Electoral Support Program will instead focus on voter education and election monitoring. These issues remain very relevant, although voter participation rates in Indonesian elections are high relative to well-established democracies, and electoral experts doubt that the Indonesian Government's target of increasing voter participation in the 2014 national elections to 75 per cent can be met. Civil society organisations also report a decline in independent monitoring of elections, despite continued claims of misadministration.

While a large part of Australia's electoral support delivered through civil society organisations did not commence until April 2013, Australia did fund several effective civil society-driven activities associated with sub-national elections during the reporting period. For the South Sulawesi gubernatorial elections, for example, Australian support funded a women's organisation called Solidaritas Perempuan to involve 1250 local women in the provincial capital Makassar and two surrounding districts in developing a charter outlining the 18 most important issues these women wanted candidates for office to address.

The charter received extensive coverage in print, broadcast and online media, and the chair of the Makassar Electoral Commission acknowledged it had helped increase women's engagement in the election. For the same election, Australia also funded a local civil society network to verify election results through an independent SMS-based parallel vote tabulation system covering the entire Makassar municipality—over 2000 polling stations. This was the first time such a process had been implemented in Indonesia at this scale and the South Sulawesi Electoral Commission has expressed interest in learning more about the approach following unsuccessful efforts to implement its own SMS-based parallel vote tabulation system. There was a long delay in the implementation of many electoral support activities due to delays in the approval of the 2013 work plan by the Indonesian Government. Due to the

limited time left available, Australian-supported activities on civil society participation in drafting electoral management regulations would have been ineffective and were cancelled.

Management consequences

Management consequences for 2013–14 include:

- > Reassess the monitoring and evaluation framework for the Australia–Indonesia Electoral Support Program based on this development.
- > Consult with other donors and support the National Development Planning Agency to develop simpler approval mechanisms for international electoral support to Indonesia.
- > Manage political risks associated with Australia’s electoral support by requiring all international non-government partners to deliver support through independent local organisations which are registered under relevant Indonesian laws, and by continuing to ensure that international implementing partners are not accessing raw population data.

The follow-up of management consequences from the 2011 annual program performance report can be found in **Annex B**.

Law and justice

| Objective | Current rating | Previous rating |
|---|----------------|-----------------|
| Courts and anti-corruption prosecutors are delivering better quality legal information and services | Amber | Amber |
| A greater number of poor and marginalised Indonesians are able to access legal aid services and legal identity documents (<i>revised objective</i>) | Amber | N/A |

Note:

- Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.
- Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.
- Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Indonesia’s judiciary was separated from the executive arm of government less than a decade ago. While the country’s courts have made strong progress during this time in establishing their independence, and reforms have been introduced to enhance the performance of other law and justice agencies, the Indonesian public continues to be sceptical about the quality and accessibility of justice services. The vast majority of Indonesians still seek to resolve disputes on the basis of traditional laws or customs believing it to be quicker, cheaper and less disruptive to social harmony than the formal alternative. Despite its many positive features, non-state justice does not provide a wholly satisfactory alternative in all circumstances. Power imbalances can skew decisions in favour of the more powerful party, decision-making may be arbitrary owing to an absence of accountability mechanisms, and discrimination against women and minority groups is common. Furthermore, non-state justice mechanisms are often ineffective as the complexity of dispute increases, particularly when it involves parties beyond the authority of village leaders, such as private companies, local governments or residents of neighbouring villages. Ensuring that citizens have access to the formal justice system is therefore important. Poor and marginalised justice seekers face particularly high barriers to access the formal justice system, stemming from a lack of public awareness about legal rights, persistent corruption and the high cost of services. These barriers are recognised by Indonesian Government policy, including the National Strategy on Access to Justice and National Strategy on Corruption Eradication. Australia’s aid to Indonesia’s law and justice

sectors aligns with these strategies and also with the 2011 legal aid law, which is being implemented in 2013 and is likely to mean that Indonesia's national budget will, for the first time ever, make public funding available for poor people to access legal advice and representation.

Australia's support for Indonesia's law and justice sector is delivered primarily through the Australia–Indonesia Partnership for Justice. Following an independent review, which concluded in late 2012, the partnership now focuses on realising the rights of the poor and marginalised, particularly poor women, vulnerable children and people with disability. This approach brings Australia's assistance in this sector more closely into line with the fundamental purpose of Australian aid to help people overcome poverty. It centres on three key rights:

- > the right to legal identity (birth, marriage and divorce certificates) and the socio-economic rights which flow from this
- > the right to fair and accessible legal services through free legal aid, prompt and consistent court decisions, and anti-corruption prosecutions
- > the right to accessible legal information.

Indonesia's National Development Planning Agency is a leader in the Australia–Indonesia Partnership for Justice and is encouraging Indonesian Government and court stakeholders to use the civil society coalitions, peer-to-peer partnerships (including with the federal and Family Courts of Australia) and technical assistance funded by the partnership to help poor Indonesians to realise their rights. According to a study commissioned by the Australia–Indonesia Partnership for Justice in early 2013, Indonesia's Judicial Reform Team Office—a group of civil society secondees to the Indonesian Supreme Court—has played an important role in supporting the Supreme Court to make progress against the sector objectives. Key challenges in achieving these include consolidating political support for institutional reforms, overcoming capacity constraints in the Ministry of Law and Human Rights to effectively disperse and monitor legal aid funding, addressing the limited financial management skills in relevant civil society organisations, and forging effective whole-of-government cooperation in combating corruption.

Throughout 2012 and 2013, the Australia–Indonesia Partnership for Justice supported the Indonesian Supreme Court's introduction of several procedures, which are likely to improve the timeliness and consistency of decisions, such as specialisation in particular areas of law for appellate judges. The partnership has also supported ongoing efforts to publish court decisions, which as of June 2013 has resulted in over 460 000 decisions being published online (up from 123 000 in December 2011). The publication of court decisions has already had concrete impacts on judicial accountability, as evidenced by the first ever dismissal of a Supreme Court judge in late 2012 over doctoring an official decision.

The Australia–Indonesia Partnership for Justice has yielded mixed results through its efforts to professionalise anti-corruption prosecutions. Partnership support contributed to the Public Prosecutor's Office making its annual report available to the public for the first time in 2012, in a move likely to enhance the accountability of the agency over the long-term. Assistance to Indonesia's Corruption Eradication Commission to build public support for its plan to recruit independent investigators has been highly successful. The commission's leadership and civil society observers consider that this assistance will help it to continue its effective approach to eradicating corruption. Between 1 January 2012 and 30 April 2013, the Australia–Indonesia Partnership for Justice trained 641 officials (508 men, 133 women) from Indonesia's courts, prosecutorial agencies and justice ministry in mediation, class actions, legal aid, strategic planning and case management.

Since late 2012, the partnership has worked closely with the National Legal Development Agency within Indonesia's Ministry of Law and Human Rights to implement the recently

passed legal aid law. This law establishes for the first time a formal, state-sponsored system for the provision of legal aid to the poor, to be delivered by civil society organisations in each province. As of 30 June 2013, the Australia–Indonesia Partnership for Justice has assisted the National Legal Development Agency to audit 375 legal aid organisations in 22 provinces throughout Indonesia to assess their eligibility to receive state funds.

Australia–Indonesia Partnership for Justice-supported policy advocacy has resulted in key judicial reforms to ensure greater access to justice for poor and marginalised groups. These reforms include a Supreme Court decree raising the threshold for a serious crime to IDR2.5 million (\$250) from IDR250 (2.5 cents). If accepted by the Public Prosecutor’s Office, this will keep many children and petty criminals out of prison. Between 1 January 2012 and 30 April 2013, the partnership provided disability services to 825 people (approximately 650 men and 75 women). This included training in computer skills and the provision of audio books on the legal rights of people with disability. During this time, six civil society organisations were also supported to track service provision in the law and justice sector.

Management consequences

Management consequences for 2013–14 include:

- > Monitor progress of the Australia–Indonesia Partnership for Justice’s annual work plan—which was approved by Australia and the National Development Planning Agency in 2013—including through an independent progress review in 2014. Work outlined in this plan will refocus the program on realising the rights of Indonesians, particularly poor women, vulnerable children and people with disability.
- > Enhance communication with stakeholders and the accountability of the Australia–Indonesia Partnership for Justice implementation service provider. DFAT and the National Development Planning Agency have established an annual partnership conference as part of the partnership’s governance arrangements and have replaced the program director directly contracted by the aid program with a team leader contracted from the implementation service provider. DFAT will consult stakeholders on the effectiveness of these new arrangements throughout the second half of 2013, but early feedback has been positive.
- > Begin analysing future options for investment in this sector in early 2014 to inform the design of a possible successor program to commence in late 2015.

The follow-up of management consequences from the 2011 annual program performance report can be found in **Annex B**.

Rural livelihoods and agribusiness

| Objective | Current rating | Previous rating |
|--|----------------|-----------------|
| Increased access of smallholder farmers to economic opportunities (<i>revised objective</i>) | Amber | N/A |

Note:

■ Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.

■ Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

■ Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Work in Indonesia's rural development sector is critical to support poverty reduction. According to World Bank analysis, agriculture is three times more efficient in reducing poverty compared to other major economic sectors. In Indonesia, studies that correlate poverty to agriculture infer that a growth in agricultural of between eight to 14 per cent reduces the poverty headcount by one per cent. These growth rates can happen over a period of two to three years. The Asian Development Bank has estimated that a one per cent growth in agriculture reduces rural poverty by 2.9 per cent and urban poverty by 1.1 per cent. Rajah and McCullough (2006) conclude that:

Rural agriculture is the most important pathway out of poverty rather than a trap from which the poor need to escape.

Studies show that 65 per cent of Indonesians living in rural areas were directly employed in agriculture. This figure increases to 80 per cent in Nusa Tenggara Timor and to 88 per cent in Papuan provinces. Agriculture in the same period made up 43 per cent of household incomes and will continue to drive Indonesia's rural economy for the next 20 years.

In line with this analysis, the main focus of the rural development unit is to promote agriculture as an effective means of poverty reduction. The theory of change underpinning the Australia–Indonesia Partnership for Decentralisation (Rural) initiative is that if more farmers understand the impact of new or improved assets (including tools, equipment and storage), inputs (such as seeds, fertilisers pesticides) and services (grafting, pruning and micro finance) and at the same time have increased and ongoing access to these assets, inputs and services they will increase their marketable agricultural surpluses and incomes. The key strategies used by the partnership to mobilise these assets, inputs and services are to:

- > identify commodity sectors, like maize, beef or cocoa, or cross cutting sectors, like mechanisation, irrigation, technology, finance, or public services, that are relevant to pro-poor outcomes in eastern Indonesia
- > assess the systemic constraints within these sectors that are most important to farm incomes
- > design sustainable and market driven interventions that generate widespread impact and outreach to small farmers.

Because of the diversity of agriculture in eastern Indonesia, this program will be delivered through a number of partnerships including non-government organisations, the private sector, other donors, and Indonesian Government systems. The different delivery modalities take into account the multiple entry points to agricultural markets and systems in eastern Indonesia, and the need to work with a range of stakeholders at different levels (district, provincial and national) to influence sustainable change at the farm level.

The Australian-funded Nusa Tenggara Timor Agro-Forestry Community Development activity (\$3.15 million from 2010–2014) works in around 90 villages (12 500 farmer households, or 62 500 people) in marginal farming areas to increase incomes and improve food security through sustainable farming practices. In 2012 the program helped 11 022 farmers increase access to agricultural technologies, 16 460 poor women and men to increase their incomes, and helped increase the value of agricultural production in supported villages by \$1.04 million. It is on track to meet its targets by the project end date. Through the maize seed intervention in the district of Timor Tengah Utara, Embassy staff are working with the project to introduce market-based approaches with a view to scaling up and integrating the activity into the main Markets for the Poor initiative. This focuses on leveraging private sector investment to increase farmer productivity and achieve sustainable increases in income.

Overall, the team has built a solid base of analysis and evidence, building on previous Australian programs in Eastern Indonesia as well as more recent studies to allow it to move into implementation. The \$112 million rural development program (2011–2017) consists of a number of delivery methods:

- > the \$77 million Promoting Rural Income through Support for Markets in Agriculture initiative which will concentrate its intervention mostly in commodity sectors
- > agricultural research and innovation to improve farmer access to technology, including through cooperation with the Australian Centre for International Agricultural Research, CSIRO and The Asia Foundation
- > financial inclusion to address access to credit (with the International Finance Corporation)
- > tertiary and non-conventional irrigation to improve access to water
- > regional economic development to improve the local competitive environment in which small farmers produce and interact with markets (a collaboration with GIZ).

The team is also investing in key relationships and partnerships, in recognition of the importance of leveraging and catalysing development assistance for sustainable rural development, rather than relying on direct service delivery.

Preparatory activities were conducted for the new Australia–Indonesia Partnership in Decentralisation (Rural) initiative that is due to commence in 2013. This initiative is expected to increase agricultural incomes by 30 per cent for 300 000 farmers in five provinces (East Java, Nusa Tenggara Timur, Nusa Tenggara Barat, West Papua and Papua). The program approach—Markets for the Poor—focuses on leveraging private sector investment to increase farmer productivity and achieve sustainable increases in income.

The new Australia–Indonesia Program for Decentralisation (Rural) has been delayed due to a request by the Indonesian Government to adjust its scope. It is expected that the Promoting Rural Income through Support for Market in Agriculture initiative will start in late-2013 with objectives that remain consistent with the original program that was announced by the prime minister and president. Activities to pilot and prepare for the initiative have focused mainly on reviews and studies on commodities, business enabling environments and socio-economic conditions. Training provided to government and non-government organisations is also essential to build a broader base of shared knowledge amongst key stakeholders, given the relatively new status of market-based approaches to development assistance in Indonesia. Procurement of the managing contractor is in the final phase and partnerships continue to be developed at both national and subnational levels.

Management consequences

Management consequences for 2013–14 include:

- > Develop a management overview for the Indonesia Program for Decentralisation (Rural) once the managing contractor is finalised, together with the subsidiary arrangement with the Indonesian Government.
- > Finalise the delivery strategy for the rural livelihood and agribusiness sector.

The follow-up of management consequences from the 2011 annual program performance report can be found in **Annex B**.

Scholarships

| Objective | Current rating | Previous rating |
|---|----------------|-----------------|
| Developing people to people linkages between Indonesia and Australia (<i>revised wording</i>) | Green | Green |

Note:

- Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.
- Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.
- Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Australia Awards (formerly known as Australia Development Scholarships) provide long and short-term study and professional development opportunities to citizens from developing countries. They promote knowledge, education links and enduring ties between Australia and our neighbours through scholarships programs consisting of Australia Awards Scholarships, Australia Awards Pacific Scholarships and Australia Awards Fellowships. In 2012, 448 Australia Awards Scholarships were offered to Indonesians for long-term study in Australia. In addition, 26 (18 PhD and four Masters) Australia Awards Scholarships were provided as part of the Australia Award Leadership Program (formerly the Australian Leadership Award Scholarships) to Indonesians demonstrating outstanding leadership potential and a commitment to contributing to development outcomes for their field of expertise. Two rounds of Australia Award Fellowships, which support short-term study, research and professional attachment programs in Australia, were held in 2012, with 192 fellows from Indonesia, the highest number of any single eligible country.

In 2012, the program conducted a range of pilot activities to improve overall performance of Australia Awards for Indonesia. These pilots include English language training assistance in targeted provinces, split-site awards, and short course delivery.

The first English language training assistance was successfully held in Kupang, Nusa Tenggara Timur. Thirty potential scholarship applicants were chosen to undertake a three month training program to bring their language standards up to Australia Awards entry requirements. Of these 30, all met the English language requirement—28 applied for an Australian Development Scholarship, and 24 were shortlisted for interview. Fifteen applicants were eventually selected. This pilot activity will be expanded to other geographic focus areas.

The first Australia Awards Fellowship short course cohort commenced at the end of 2012, with 22 participants travelling to Australia for two to three weeks. Five courses focusing on skill areas required by Echelon II and III staff—consistent with the Indonesian Government’s bureaucratic reform process—will be delivered between late 2012 and mid-2013.

A pilot program has been implemented to enable awardees to complete part of their study in Indonesia and part of it in Australia. Three pilot sites have been established for the Masters program including for the:

- > Fiscal Policy Office, with the University of Indonesia/Gadjah Mada University and the Australian National University
- > National Development Planning Agency, with Gadjah Mada University and Curtin University of Technology
- > Ministry of Trade, with the Institute Pertanian Bogor and University of Adelaide.

It is anticipated that the Fiscal Policy Office's cohort (10 awardees) will commence at the Australian National University in early 2013. A total of up to 50 places have been allocated to split site masters candidates in 2013 and 2014.

There was continued growth in the number of successful applicants from targeted regions, with 27 per cent of awards going to applicants from Papua, Papua Barat, Aceh, Nusa Tenggara Timur and Nusa Tenggara Barat. The Australia Awards continue to achieve strong gender balance with half going to women.

In 2012, the first tracer study based on the aid program's global guidelines was conducted. It included 219 alumni who returned from study in Australia in 2009. Key findings and conclusions emerging from the study show that alumni are:

- > applying their knowledge, attitude and skills in their workplaces—74 per cent indicated that the knowledge and skills that they gained from their study in Australia were highly relevant to their work position on return and 79 per cent indicated that they used their knowledge and skills regularly in their current work
- > effectively reintegrated into key agencies to strengthen agency service provision 97 per cent of alumni from the public sector returned back to their former workplace and 77 per cent indicated that they had a greater role in policy making, suggesting a greater level of influence in their workplace
- > initiating or supporting people-to-people links between Indonesians, and between Indonesians and Australians—32 per cent of alumni maintain contact with their former university and 33 per cent maintain contact with Australian communities
- > returning with and maintaining a positive perception of Australia—89 per cent rated their scholarship experience in Australia very positive and 77 per cent felt very positive about Australia.

The current phase of Australia Awards for Indonesia is being implemented by a managing contractor until January 2014. DFAT is undergoing a review and redesign process for the next phase of the program which will build on the long history of program delivery and align closely with the next country program strategy.

Management consequences

Management consequences for 2013–14 include:

- > Identify a new managing contractor in August 2013 to be responsible for in-Indonesia management of Australia Awards including promotion, targeting, application, selection, mobilisation and post-award support.
- > Ensure the new design retains positive features of the current program, while refocusing and strengthening strategies to achieve strengthened end of program outcomes. It will also continue implementation of the pilots until they are completed and can be thoroughly evaluated.

The follow-up of management consequences from the 2011 annual program performance report can be found in **Annex B**.

Annex B

Progress in addressing 2011 management consequences

Management consequences identified in 2011 APPR

Program quality

| Management consequences identified in 2011 APPR | Rating | Progress made in 2012–13 |
|--|--------|--|
| > Finalise the country strategy outlining the future direction of expanded program to 2015–16. | Amber | Country strategy finalisation is pending the Indonesian Government's Medium Term Development Strategy to be released by 2015. |
| > Commence new programs in knowledge sector, Women in Leadership, Australia–Indonesia Program for Decentralisation (Rural), HIV program in Papua, and Health System Strengthening. | Green | All programs have commenced except Australia–Indonesia Partnership for Decentralisation (Rural). A major component of this program--the Australia–Indonesia Partnership for Promoting Rural Income through Support for Markets in Agriculture--is expected to start in mid 2013. |
| > Commence new designs for tertiary education, maternal and neonatal child health, scholarships, disaster management, infrastructure, climate change and social protection, and commence scale up of the National Programme for Community Empowerment. | Green | DFAT in Indonesia has commenced work on all of these designs. |
| > Complete the Provincial Road Improvement and Maintenance program design by the end of 2012. | Amber | Provincial Road Improvement and Maintenance will undergo design peer review in early June 2013. |
| > Conclude, or implement extension arrangements for maternal and neonatal health, the Water Supply and Sanitation for Low Income Communities Project, Water and Sanitation Policy and Action Planning Project and Australia–Indonesia Partnership Facility for Disaster Reduction. | Green | Arrangements in place for all four programs. |
| > Assess the efficiency and effectiveness of delivery mechanisms to inform appropriate resourcing and structure of programs out to 2015–16. | Amber | Review of delivery mechanisms and program structure so far has not been conducted to address all of the efficiency and effectiveness issues that the Indonesia program faces. To address these issues, the Indonesia program has agreed a strategic governance framework with the World Bank that is elaborated further under response "review multilateral engagement". |
| > Strengthen the link between the country program and key development outcomes | Green | The Indonesia program has made notable progress in the past 18 months in meeting most of the 30 framework indicators. |
| > Continue to strengthen our quality assurance and design capacity. | Green | The Program Effectiveness and Performance section has led the team in integrating risk, monitoring and evaluation, cross sector learning and external expert peer review of all of the Indonesia programs designs being developed. Over the past 18 months there has been a measurable improvement in the quality of the designs in the program, with many highlighted by the department's Strategic Programming Committee as best practice. |

Management consequences identified in 2011 APPR

- > Continue to strengthen portfolio risk management and fraud mitigation approaches.
- > Engage with Australian whole-of-government partners to deliver effective and coordinated official development assistance programs in Indonesia.
- > Review multilateral engagement with a view to improved efficiency and transparency of Australian official development assistance in Indonesia.

Rating**Progress made in 2012–13****Green**

The new risk and fraud management model has been implemented. A cascading risk management approach has been adopted throughout the program and is used by senior management to review and manage risks.

Green

According to OECD DAC data, in 2011 Australia was the second largest donor for Indonesia at over \$400 million, after Japan at USD1.3 million. DFAT support broader Australian Government priorities in Indonesia that align with our mandate to tackle poverty and promote stability, particularly through our three largest sectoral engagements – education, social protection and infrastructure. We also support other Australian Government agencies that manage programs in Indonesia funded through official development assistance to implement these in line with the goals and objectives as set out in the Australian Government’s response to the *2010 Independent Review of Australia’s Aid Effectiveness*. Our four largest government partners based on spend in 2012–13 were Immigration and Citizenship (\$11.7 million), Foreign Affairs and Trade (\$8.8 million) Australian Centre for International Agricultural Research (\$5.8 million), Infrastructure and Transport (\$3.7 million) and Industry, Innovation, Climate Change, Science, Research and Tertiary Education (\$3 million). Total whole-of-government official development assistance in 2012–13 was \$34.9 million.

Green

Strategic engagement with the World Bank has been strengthened and the department continues to work strategically with the Asian Development Bank and United Nations partners such as the United Nations Children’s Fund, International Labour Organization, Office for the Coordination of Humanitarian Affairs and United Nations Development Programme.

Education

- > In 2012, the safeguards for school construction—which were agreed with Indonesia, particularly in the areas of monitoring, data collection and analysis, reporting, and auditing—will be implemented.
- > To ensure momentum is not lost in testing and piloting key elements of the continuous professional development system while the necessary safeguards for using partner systems are negotiated, in 2012 Australia will deliver support via the technical contractor team.
- > Following successful dialogue with the Indonesian Government regarding the unit cost increase required to build schools to established standards, the education partnership budget and targets for school constructions need to be revised to take account of this change.
- > Further analysis and policy dialogue on planning for and managing school infrastructure needs will be conducted in 2012 and throughout the life of the partnership.

Green

Completed.

Green

Completed.

Green

Linked to consideration of new modalities for meeting the targets. This response is still being actioned and will be resolved by mid-2013.

Green

Review of district infrastructure needs and planning underway. The review will be completed by the second quarter of 2013 and will be the basis for policy dialogue.

Management consequences identified in 2011 APPR

- > Together with the European Union, Australia also provided support to the multi-donor trust fund for sector research and analysis, the Analytical and Capacity Development Partnership. The demand-driven design of the partnership is intended to respond to government priorities but the mechanism is best suited to longer-term work. This creates risks for the timeliness of findings and the likelihood that they will inform policy decisions. This risk will be monitored closely as a management issue in 2012.
- > Early analysis on future options for investment in the sector was conducted, with a focus on tertiary education. This is a relatively new area for Australia to be partnering with Indonesia, so appropriate high-level technical and advisory support from both Indonesian and international experts will be critical.

Health

- > The results framework will provide the platform for a revised set of health sub-sector outcomes against which the sector performance for 2012 will be judged.
- > The health sector plan will be finalised in consultation with the Indonesian Government so that priorities for future scale up, areas for future analysis and a new results framework are agreed by end of 2012. This will help inform the new maternal, neonatal and child health design and provide a robust results framework that will measure progress in our health programs.
- > We will work with Indonesian counterparts and boost support to the Ministry of Health to help refocus and prioritise HIV interventions, as this is becoming urgent in light of reduction of global fund grants and slow progress in addressing the MDG target of halting the spread of HIV/AIDS. Agreements on programming will also be revisited with key partners to minimise fragmenting and simplify support to Indonesia's response to HIV.
- > Programs will adopt a stronger continuous improvement approach, ensuring that more robust monitoring and evaluation frameworks are in place and lessons learnt are used effectively to review and, if necessary, adjust interventions to ensure program outcomes are achieved.

Rating Progress made in 2012-13

- | | |
|--------------|--|
| Amber | This remains a risk to monitor, however Analytical and Capacity Development Partnership products have been valued and used by senior Indonesian Government officials, and the Analytical and Capacity Development Partnership Secretariat has been developing more flexible modes of delivery to respond to short-term requests. |
| Green | A high-level Indonesian reference group has been established and is actively involved in design preparations. Internal and external technical expertise has contributed to preparation of the design concept. |
| Green | Completed. Of the two health-sector-specific indicators, the department does not support immunisation work through its health sector programs in Indonesia, but skilled attendance at childbirth and training of health workers is supported and reported against. Immunisation is already covered under the National Programme for Community Empowerment initiative. |
| Green | The Health Sector Delivery Strategy is in preparation and will be finalised within 2013. |
| Amber | Ongoing. In response to the changing burden of HIV, Australia has been scaling up its support for the Papuan provinces through both the HIV Cooperation Program for Indonesia and Rapidly Expanding Access to Care for HIV (REACH). However, the new Global Fund to Fight AIDS, Tuberculosis and Malaria funding model is of concern for the response in Papua and West Papua. The Global Fund's priorities are determined by numbers of key affected populations (mainly sex workers and people who inject drugs) which are small in those provinces, but the burden of HIV is heaviest there with a low level generalised epidemic, largely driven by high-risk sexual behaviour among the general population. Global Fund support for health services in those provinces will end in 2013 and may leave a significant funding gap. The Ministry of Health will seek clarification on the Global Fund's support by the second half of 2013 and that may improve the operating environment for REACH. |
| Green | More independent evaluations are being conducted, and programs are being adjusted continuously to take account of their findings and recommendations. This effort will be continuous over the life of programs. |

Management consequences identified in 2011 APPR**Rating Progress made in 2012–13*****Transport and connectivity***

- | | | |
|---|--------------|--|
| > The Australian-supported Provincial Road Improvement Program (currently at concept stage) proposes to work through government systems at the provincial level using grants to pilot innovations, including performance based financing, for possible future incorporation into the fund. | Amber | The Provincial Road Improvement and Maintenance program (PRIM) has been designed as a pilot program to be trialled in Nusa Tenggara Barat and will undergo peer review before the end of May 2013. Implementation will commence from June with maintenance works expected in late 2013. The program and may serve as a demonstration of how performance based financing could work using Indonesian Government finances in the Road Preservation Fund. |
| > DFAT will amend some of the transport and connectivity sub-sector outcomes for the 2012 annual program performance review to align with the newly established Indonesia Infrastructure Initiative monitoring and evaluation framework. | Green | Transport and connectivity sub-sector outcomes have been amended to better reflect the overall transport and connectivity program implemented through the Indonesia Infrastructure Initiative, the Eastern Indonesia National Road Improvement Program and contributions to the multilateral development banks. |
| > Despite improved implementation progress under the Eastern Indonesia National Road Improvement Program, a number of road projects remain delayed due to issues with land acquisition. A further extension to the loan closing date will have to be negotiated with the Directorate General of Highways over the coming year, likely through to the end of 2013. | Green | The Eastern Indonesia National Road Improvement Program loan closing date was formally extended to 31 December 2014 to ensure that all road projects are implemented under the program's social and environmental safeguards, and that all road projects are subject to the same supervision arrangements to achieve high quality technical standards. |
| > The Eastern Indonesia National Road Improvement Program currently forms a significant component of the infrastructure program. Any successor program will need to obtain the appropriate Australian Government approvals and proceed to design during 2012 if continuity is to be maintained. | Amber | The development of a successor program for support to the national roads sector is currently underway in the context of developing an overall infrastructure sector delivery strategy by 31 October 2013. |

Water and sanitation

- | | | |
|--|--------------|---|
| > To promote sustainability, the second phase of <i>hibah</i> will have an increased focus on governance as well as service delivery. This will be through more flexibility in providing additional funding to local governments with greater capacity and commitment to pre-finance service expansion and sustainable investment policies, and promoting full-cost recovery pricing to achieve financial sustainability of water operators. | Green | Completed. The second phase of the <i>hibah</i> incorporates governance targets for local government and water operators which include (i) local government submits its budget on time (ii) local government and water operator establish oversight body (iii) water operator progressively increase its tariff (iv) local government must invest greater equity in its water operators for comparatively the same grant as the phase one <i>hibah</i> (v) grants to local governments are awarded for the duration of the Indonesia Infrastructure Initiative phase 2 providing more flexible budget arrangements between the local government and the Ministry of Finance. |
| > While the wastewater investment master plans have been finished for eight cities, work is still needed to prepare designs and compliance with environmental safeguards before the cities are ready for investment by the Asia Development Bank loan scheme, government or the private sector. Continuing support for project preparation will help ensure the plans are implemented to improve the sanitation services in these cities. | Amber | Four donors are interested in these cities, and three donors are preparing approvals to support waste water investment in five cities. Australia is working with the Asian Development Bank on project preparation. The bank has prepared safeguards plans and Australia, through the Indonesia Infrastructure Initiative will prepare detailed engineering designs and environmental assessments for three cities by early 2014. |
| > Australia will explore whether to also support improvements to governance, | Amber | The Asian Development Bank is designing a potential program for sub-district water |

Management consequences identified in 2011 APPR

management and service provision in the regional centres and small cities covered by the Indonesian Government's water supply for sub-districts program.

- > Consideration will be given to amending some of the water and sanitation sub-sector outcomes for the 2012 to align with the newly established Indonesia Infrastructure Initiative monitoring and evaluation framework.
- > Programs like the Water Supply and Sanitation for Low Income Communities Project and the World Bank's policy reform program--the Water and Sanitation Policy and Action Planning Project--are ending soon. Australia will review these to learn from the experience and determine future programming for rural service improvement and policy reform.

Rating

Progress made in 2012-13

supply. The bank will continue program design in 2013 with the aim of developing a loan program to commence by the end of 2014.

Green

Completed (April 2013).

Sub-sector outcomes and indicators have been amended for 2012. These will be further assessed during development of the infrastructure delivery strategy in 2013.

Green

Completed (January 2012).

Australia's support for the Water Supply and Sanitation for Low Income Communities Project, and the Water and Sanitation Policy and Action Planning Project was reviewed in 2012.

Recommendations for the Water Supply and Sanitation for Low Income Communities Project have been incorporated into phase 2 of its design and Australia has committed to support this until 2017. Recommendations for the Water and Sanitation Policy and Action Planning Project will be considered by the steering committee in mid-2013.

Economic governance

- > The Australian government must engage with the right stakeholders to ensure investments have a good chance of being effective. Augmenting the skill mix of the Australia-Indonesia Partnership for Economic Governance Facility management support team will facilitate this.
- > Australia will find ways to better use the considerable expertise and connections of the Australia-Indonesia Partnership for Economic Governance Facility Indonesian board in formulating new directions.
- > Australia recognises that a focus on implementation and coordination is pivotal to realising the benefits of reform. We will engage more with a wider cross-section of Indonesian partner agencies and non-government entities on all issues to help facilitate coordination, rather than working with single government agencies.

Green

Completed. A new director for the Australia-Indonesia Partnership for Economic Governance Facility has been recruited, and a process of enhanced engagement has begun.

Green

Completed. Pre-board meetings have been introduced to facilitate deeper knowledge and greater discussion amongst the members of program governance boards.

Amber

To be completed by end 2013. Process underway but slowed by turnover of program staff and recruitment of the new director.

Social protection and community driven development

- > Our work in increasing demand for public services is also achieving good results, however there are risks from the supply side, in terms of ensuring access to facilities, skilled health workers and appropriate budgeting and planning, especially in local governments. We will continue to highlight this concern in appropriate forums.
- > The design and contracting arrangements for increasing social assistance and the National Programme for Community Empowerment need to be finalised in 2012 and new internal management arrangements of programs need a smooth transition. Management attention also needs to be given to appropriate team resourcing.

Green

Completed.

Green

Completed.

Management consequences identified in 2011 APPR**Rating****Progress made in 2012–13*****Law and justice***

- > A review will take place in 2012 to determine the forward focus of Australia's support to the sector, including a possible expansion of the Australia–Indonesia Partnership for Justice's community-level support and exploring how to work more closely with other Australian-supported programs on points where service delivery depends on a well-functioning and accessible justice system. The driving principle will be to establish the most effective balance between top-down institutional reform and community level service delivery, the combination of which will meet the needs of justice seekers in a way that can be sustained by law and justice institutions.

Green

Completed.

Elections

- > DFAT, the Australian Electoral Commission and The Asia Foundation, as the implementing partners of the elections program, will continue regular engagement with all relevant government and civil society stakeholders to mitigate accusations of foreign interference.
- > DFAT will continue to monitor the progress of electoral legislation and its implications for electoral management in Indonesia, and investigate opportunities to support the increased deployment of monitors in Aceh before its elections.

Amber

DFAT continues to face hurdles in obtaining and maintaining Indonesian Government approvals to manage activities under this program. As such, the department and implementing partners are spending a disproportionate time managing risks and political sensitivities, which is compromising the program's effectiveness, including our ability to comprehensively implement management responses.

Amber

As above.

Decentralisation

- > We will continue to develop an inventory of what works well and ensure that key achievements are sustained through the involvement of communities and civil society organisations.
- > We will work to consolidate our decentralisation programs (currently divided into six main initiatives) by streamlining those outside of Australia–Indonesia Partnership for Decentralisation into a new decentralisation policy support facility. These will be Australia's main form of support to Indonesia's second decade of decentralisation, particularly in the areas of political and administrative decentralisation.

Green

Ongoing. Evidence has been compiled on what works in the Local Governance and Infrastructure for Communities in Aceh Program, and the Australia Community Development and Civil Society Strengthening Scheme, and studies on the Public Expenditure Analysis and Capacity Harmonisation, and the Consolidating Peaceful Development in Aceh programs are expected to be completed by the end of June.

Amber

Ongoing. Pre-concept note to be discussed with the program's senior management team by June 2013. Plans to develop a joint secretariat between Indonesia's three key decentralisation ministries (the National Development Planning Agency, Ministry of Finance and Ministry of Home Affairs) were not effective, and instead of working in tandem, each ministry is still developing separate work plans. The effectiveness of the secretariat will be reviewed in 2013. An inventory of key decentralisation products has been developed and will contribute to plans to improve frontline service delivery units, as the planned decentralisation policy support facility is still under concept development.

Governance: bureaucratic reform

- > DFAT will negotiate stronger oversight mechanisms with the Indonesian

Amber

Ongoing. Discussion on proposed governance arrangements will be held with the vice

Management consequences identified in 2011 APPR

Government in 2012 to help keep abreast of the government's progress with its bureaucratic reform program.

Rating**Progress made in 2012–13**

minister, and are expected to be completed by end of May/early June.

Rural livelihoods and agribusiness

- > In preparing to implement the new rural development program, a number of previous pilot activities must be analysed to inform opportunities to scale up in this sector. Preparation includes identifying the specific constraints and opportunities for agricultural growth that benefit farmers in program areas (East Java, Nusa Tenggara Timur, Nusa Tenggara Barat, Papua and West Papua), identifying and building national and local partnerships to assist agricultural systems development, and procuring a contractor for on-the-ground program development and implementation.

Amber

Ongoing. Most analysis completed. Final agreement with Indonesian Government on Program's governance arrangements expected by August 2013.

Disaster risk management

- > The Australian and Indonesian governments agreed in January 2012 to establish an executive committee for the Australia–Indonesia Partnership Facility for Disaster Reduction which would set strategic direction for implementation and guide the design of a future disaster management program. It is expected that the first meeting will take place in June 2012.

Green

Completed.

- > The Australia–Indonesia Partnership Facility for Disaster Reduction will draft a sub-national development strategy to present to the executive committee in August 2012. This will focus the partnership at the sub-national level on capacity development, gender and social inclusion, and consolidation of existing portfolio activities, and will guide future activities.

Green

Completed.

- > The Australia–Indonesia Partnership Facility for Disaster Reduction commenced a capacity development support program within Indonesia's National Coordinating Agency for Disaster in late 2011, and recruited 18 specialist Indonesian advisors to work within the agency to build technical and institutional capacity. Through the executive committee, the Australia–Indonesia Partnership Facility for Disaster Reduction will further propose an institutional strengthening framework.

Green

Completed.

- > Following discussion with Indonesia's National Coordinating Agency for Disaster in late 2011, a concept note for a disaster management partnership was drafted for when the Australia–Indonesia Partnership Facility for Disaster Reduction concludes in June 2013. This concept note will be presented to the executive committee in mid-2012 for consideration.

Green

Completed.

Climate change

- > The future of both elements of the program (the Kalimantan Forests and Climate

Green

Completed

Management consequences identified in 2011 APPR**Rating****Progress made in 2012–13**

Partnership and Indonesia National Carbon Accounting System) will need to be resolved through consultations on the program extension in the coming 12 months.

- > With the current portfolio of small-scale programs in adaptation coming to an end in 2011 and early 2012, the focus for the next year will be on developing a longer-term approach to adaptation which can help Indonesia deliver scalable results.

Amber

Scoping work was undertaken in 2012–13 however further efforts have been postponed to 2014.

Scholarships

- > A design refresh was conducted and phase III implementation continued, pending more substantial design work to inform the next phase.

Green

Completed.

- > The design refresh offered an opportunity to introduce a range of pilot activities into phase III, which will help to inform future designs. These pilots include English language training assistance in targeted provinces, split-site awards and short course delivery.

Green




All pilots complete or underway with future evaluation of effectiveness planned.

- > A smooth transition to a new managing contractor was achieved at the commencement of 2012 and the completion of a comprehensive and strategic design process, together with key Indonesian Government stakeholders, will be a program management priority for 2012.

Green

Design on track for completion.

Note:

-  Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.
-  Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.
-  Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Annex C

Quality at Implementation ratings

| Initiative name | Initiative start date | Initiative end date | Initiative FMA9 approval Total \$ | QAI year | Relevance | Effectiveness | Efficiency | Monitoring and evaluation | Sustainability | Gender equality | Risk management | |
|---------------------------------------|--|---------------------|-----------------------------------|------------------|-----------|---------------|------------|---------------------------|----------------|-----------------|-----------------|-----|
| | | | | | | | | | | | | |
| <i>Education and knowledge sector</i> | | | | | | | | | | | | |
| INJ648 | Australia's Education Partnership | 05/11/2010 | 30/06/2016 | \$500 000 000.00 | 2012 | 5 | 4 | 4 | 5 | 4 | 3 | M |
| | | | | | 2011 | 6 | 4 | 3 | 3 | 4 | 3 | I |
| INE114 | SMERU Research Institute | 29/10/1998 | 31/03/2014 | \$10 249 558.39 | 2012 | 6 | 6 | 4 | 4 | 4 | 4 | I |
| | | | | | 2011 | 6 | 6 | 4 | 4 | 4 | 4 | M |
| INH361 | Aceh Education Sector Development | 01/07/2007 | 30/06/2013 | \$11 860 705.32 | 2012 | 4 | 5 | 5 | 5 | 5 | 5 | M |
| | | | | | 2011 | 5 | 4 | 4 | 4 | 4 | 4 | M |
| INH436 | Papua Education Sector Development | 01/07/2007 | 30/06/2013 | \$7 698 179.31 | 2012 | 5 | 5 | 5 | 5 | 4 | 4 | I |
| | | | | | 2011 | 5 | 5 | 4 | 4 | 4 | 4 | M |
| INJ859 | Building Relations through Intercultural Dialogue and Growing Engagement | 01/04/2011 | 31/12/2015 | \$3 611 000.00 | 2012 | 4 | 5 | 4 | 5 | 4 | 4 | I |
| | | | | | 2011 | 5 | 5 | 4 | 4 | 5 | 4 | I |
| INI787 | Revitalising Indonesia's Knowledge Sector | 10/07/2009 | 30/06/2013 | \$6 233 309.88 | 2012 | 5 | 5 | 4 | 3 | 4 | 5 | B |
| | | | | | 2011 | 5 | 5 | 5 | 5 | 5 | 5 | B |
| INK640 | Australia-Indonesia Partnership 4--the Knowledge Sector Initiative | 01/07/2012 | 30/06/2017 | \$97 669 000.00 | 2012 | 5 | 5 | 4 | 3 | 4 | 5 | B |
| | | | | | 2011 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| INI035 | The Indonesia Project (Australian National University) | 01/07/2008 | 30/06/2016 | \$7 555 517.00 | 2012 | 5 | 5 | 5 | 4 | 4 | 4 | M |
| | | | | | 2011 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| INF867 | Kang Guru Indonesia | 1/01/2005 | 31/12/2011 | \$4 724 565.01 | 2012 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| | | | | | 2011 | 4 | 5 | 5 | 4 | 3 | 3 | M |
| <i>Health</i> | | | | | | | | | | | | |
| ING821 | Australia-Indonesia Partnership for Maternal & Neonatal Health Program | 17/08/2006 | 30/06/2013 | \$66 996 435.67 | 2012 | 6 | 5 | 5 | 4 | 5 | 5 | M |
| | | | | | 2011 | 5 | 5 | 4 | 4 | 5 | 5 | I |
| INH251 | Australia-Indonesia Partnership for HIV | 01/07/2007 | 31/12/2016 | \$128 500 000.00 | 2012 | 5 | 5 | 5 | 4 | 4 | 4 | I |
| | | | | | 2011 | 5 | 5 | 5 | 5 | 5 | 5 | I |
| INH469 | Australia-Indonesia Partnership for Health Systems Strengthening | 10/08/2007 | 30/06/2013 | \$12 066 721.27 | 2012 | 6 | 3 | 3 | 5 | 4 | 4 | I |
| | | | | | 2011 | 6 | 4 | 4 | 4 | 4 | 4 | I |
| INK378 | Australia-Indonesia Partnership for Health Systems Strengthening | 29/02/2012 | 30/06/2016 | \$50 000 000.00 | 2012 | 6 | 3 | 3 | 5 | 4 | 4 | I |
| | | | | | 2011 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |

| Initiative name | Initiative start date | Initiative end date | Initiative FMA9 approval Total \$ | QAI year | Relevance | Effectiveness | Efficiency | Monitoring and evaluation | Sustainability | Gender equality | Risk management | |
|-----------------------------------|---|---------------------|-----------------------------------|------------------|-----------|---------------|------------|---------------------------|----------------|-----------------|-----------------|-----|
| | | | | | | | | | | | | |
| INJ509 | Australia-Indonesia Partnership for Emerging Infectious Diseases Program | 01/09/2010 | 30/06/2014 | \$22 000 000.00 | 2012 | 5 | 5 | 4 | 3 | 4 | 4 | I |
| | | | | | 2011 | 5 | 4 | 4 | 4 | 4 | 4 | I |
| INJ895 | Australia-Indonesia Partnership - Emerging Infectious Diseases for Human Health | 14/04/2011 | 30/06/2014 | \$4 595 000.00 | 2012 | 5 | 5 | 5 | 5 | 4 | 4 | M |
| | | | | | 2011 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| INH024 | Pandemic Influenza and Emerging Infectious Disease Prevention and Preparedness | 20/12/2006 | 30/06/2012 | \$19 258 372.66 | 2012 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| | | | | | 2011 | 5 | 5 | 5 | 4 | 4 | 4 | M |
| INJ124 | Health Facilities Reconstruction in West Sumatra | 26/10/2009 | 20/12/2012 | \$5 041 461.64 | 2012 | 5 | 5 | 5 | 4 | 5 | 5 | M |
| | | | | | 2011 | 5 | 5 | 5 | 4 | 5 | 5 | M |
| Transport and connectivity | | | | | | | | | | | | |
| ING633 | Eastern Indonesia National Road Improvement Program (Australia-Indonesia Partnership for Reconstruction and Development loans) | 01/07/2007 | 30/06/2013 | \$251 822 071.00 | 2012 | 6 | 4 | 4 | 5 | 4 | 4 | M |
| | | | | | 2011 | 6 | 3 | 3 | 5 | 4 | 4 | I |
| ING406 | Australia-Indonesia Partnership for Reconstruction and Development: Eastern Indonesia National Road Improvement Program - Implementation, Planning and Support Facility | 15/06/2005 | 30/07/2016 | \$36 160 309.71 | 2012 | 6 | 4 | 4 | 5 | 4 | 4 | M |
| | | | | | 2011 | 6 | 3 | 3 | 5 | 4 | 4 | I |
| INH582 | Indonesia Infrastructure Initiative | 01/07/2007 | 30/06/2015 | \$177 628 329.61 | 2012 | 6 | 4 | 4 | 4 | 4 | 4 | I |
| | | | | | 2011 | 5 | 5 | 5 | 5 | 5 | 5 | M |
| Water and sanitation | | | | | | | | | | | | |
| INI390 | Water and Sanitation Policy and Action Planning Project Facility | 01/07/2008 | 31/12/2014 | \$10 000 078.20 | 2012 | 5 | 4 | 4 | 3 | 4 | 4 | M |
| | | | | | 2011 | 5 | 5 | 4 | 4 | 5 | 5 | I |
| INI391 | Water Supply and Sanitation for Low Income Communities Project | 01/07/2008 | 31/03/2015 | \$47 503 068.74 | 2012 | 5 | 5 | 5 | 5 | 4 | 4 | M |
| | | | | | 2011 | 5 | 5 | 4 | 4 | 4 | 4 | M |
| INJ149 | Water and Sanitation Hibah Phase 2 | 01/07/2009 | 30/06/2015 | \$120 000 773.87 | 2012 | 6 | 4 | 4 | 5 | 5 | 4 | M |
| | | | | | 2011 | 6 | 5 | 4 | 5 | 4 | 4 | I |

| Initiative name | Initiative start date | Initiative end date | Initiative FMA9 approval Total \$ | QAI year | Relevance | Effectiveness | Efficiency | Monitoring and evaluation | Sustainability | Gender equality | Risk management |
|---|-----------------------|---------------------|-----------------------------------|----------|-----------|---------------|------------|---------------------------|----------------|-----------------|-----------------|
| | | | | | | | | | | | |
| INJ150 Support for Sewerage Investment Plan | 01/07/2009 | 30/06/2015 | \$40 121 451.76 | 2012 | 5 | 5 | 4 | 5 | 4 | 5 | M |
| | | | | 2011 | 5 | 4 | 4 | 5 | 4 | 5 | I |
| <i>Social protection and community driven development</i> | | | | | | | | | | | |
| INI506 National Program for Community Empowerment | 01/02/2009 | 30/06/2015 | \$215 000 000.00 | 2012 | 6 | 5 | 5 | 5 | 5 | 4 | I |
| | | | | 2011 | 6 | 5 | 5 | 5 | 5 | 4 | I |
| INJ244 Poverty Reduction and Social Protection Support | 06/04/2010 | 31/12/2014 | \$73 000 000.00 | 2012 | 6 | 4 | 4 | 4 | 4 | 5 | I |
| | | | | 2011 | 6 | 5 | 5 | 4 | 6 | 4 | B |
| INK714 Empowering Indonesian Women for Poverty Reduction | 02/07/2012 | 30/06/2016 | \$60 000 000.00 | 2012 | 5 | 5 | 5 | 4 | 5 | 5 | I |
| | | | | 2011 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| INK532 Institutional Design and Capacity Building Initiative | 25/05/2012 | 01/08/2016 | \$5 685 000.00 | 2012 | 6 | 5 | 5 | 4 | 5 | 5 | I |
| | | | | 2011 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| <i>Bureaucratic reform</i> | | | | | | | | | | | |
| INJ823 Bureaucratic Reform in Indonesia | 30/03/2011 | 30/06/2015 | \$11 275 000.00 | 2012 | 5 | 5 | 5 | 5 | 5 | 4 | I |
| | | | | 2011 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| <i>Climate change</i> | | | | | | | | | | | |
| INH445 Indonesia–Australia Forest Carbon Partnership | 01/07/2007 | 30/06/2014 | \$75 309 132.87 | 2012 | 4 | 4 | 3 | 4 | 3 | 5 | I |
| | | | | 2011 | 5 | 3 | 3 | 3 | 3 | 4 | B |
| <i>Decentralisation</i> | | | | | | | | | | | |
| ING429 Australia Community Development and Civil Society Strengthening Scheme Phase 2 | 01/04/2006 | 31/12/2013 | \$29 611 430.00 | 2012 | 5 | 5 | 5 | 5 | 5 | 6 | M |
| | | | | 2011 | 5 | 5 | 5 | 5 | 5 | 5 | M |
| INI355 Local Governance and Infrastructure for Communities in Aceh Program 2 | 01/01/2009 | 30/06/2014 | \$29 600 000.00 | 2012 | 5 | 5 | 4 | 5 | 5 | 5 | M |
| | | | | 2011 | 5 | 4 | 4 | 3 | 3 | 5 | I |
| INI472 Public Expenditure Analysis Capacity Harmonisation | 23/01/2009 | 30/03/2013 | \$3 999 111.38 | 2012 | 5 | 4 | 3 | 3 | 4 | 5 | I |
| | | | | 2011 | 5 | 4 | 3 | 3 | 4 | 3 | I |
| INJ122 Australia–Indonesia Partnership for Decentralisation | 01/07/2010 | 30/06/2015 | \$70 000 000.00 | 2012 | 5 | 3 | 3 | 4 | 4 | 5 | I |
| | | | | 2011 | 5 | 5 | 4 | 5 | 5 | 5 | I |
| INK205 Provincial Governance Strengthening Program | 01/09/2011 | 30/06/2014 | \$5 000 000.00 | 2012 | 5 | 3 | 3 | 3 | 3 | 3 | B |
| | | | | 2011 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| <i>Disaster and risk management</i> | | | | | | | | | | | |
| INI422 Australia–Indonesia Facility for Disaster Reduction | 15/10/2008 | 30/06/2015 | \$88 599 999.79 | 2012 | 6 | 5 | 4 | 4 | 5 | 4 | M |
| | | | | 2011 | 5 | 4 | 3 | 3 | 4 | 2 | M |

| Initiative name | Initiative start date | Initiative end date | Initiative FMA9 approval Total \$ | QAI year | Relevance | Effectiveness | Efficiency | Monitoring and evaluation | Sustainability | Gender equality | Risk management | |
|---|---|---------------------|-----------------------------------|------------------|-----------|---------------|------------|---------------------------|----------------|-----------------|-----------------|-----|
| | | | | | | | | | | | | |
| INH545 | Enhanced Australian Response | 01/07/2007 | 30/06/2014 | \$2 101 288.04 | 2012 | 6 | 5 | 4 | 4 | 5 | 4 | M |
| | | | | | 2011 | 6 | 5 | 5 | 5 | 4 | 4 | I |
| INI576 | Building Resilience in Eastern Indonesia | 15/06/2009 | 15/06/2012 | \$4 085 368.00 | 2012 | n/a | n/a | n/a | n/a | n/a | n/a | |
| | | | | | 2011 | 5 | 5 | 4 | 4 | 4 | 5 | M |
| INJ334 | Core Contribution to United Nations Office for the Coordination of Humanitarian Affairs | 12/05/2010 | 30/06/2013 | \$2 200 000.00 | 2012 | 6 | 5 | 4 | 4 | 5 | 4 | M |
| | | | | | 2011 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Economic governance | | | | | | | | | | | | |
| INH848 | Australia-Indonesia for Economic Governance | 01/04/2008 | 30/11/2015 | \$66 628 480.49 | 2012 | 5 | 5 | 4 | 4 | 5 | 4 | M |
| | | | | | 2011 | 5 | 4 | 4 | 4 | 5 | 4 | I |
| INJ689 | Government Partnership Fund Phase II | 01/01/2011 | 30/06/2015 | \$50 000 000.00 | 2012 | 5 | 4 | 4 | 3 | 4 | 4 | I |
| | | | | | 2011 | 5 | 4 | 4 | 4 | 4 | 3 | I |
| INH521 | Indonesia Strengthening Public Procurement Program | 01/09/2007 | 30/06/2012 | \$12 459 274.76 | 2012 | 5 | 4 | 3 | 4 | 4 | 4 | I |
| | | | | | 2011 | 5 | 5 | 4 | 5 | 4 | 4 | M |
| | | | | | 2012 | 5 | 5 | 4 | 4 | 5 | 4 | M |
| INK331 | Support for Enhanced Macroeconomic and Fiscal Policy Analysis program | 09/12/2011 | 31/12/2014 | \$5 000 000.00 | 2011 | n/a | n/a | n/a | n/a | n/a | n/a | |
| Elections | | | | | | | | | | | | |
| INJ632 | Australia-Indonesia Electoral Support Program | 01/01/2011 | 30/06/2020 | \$22 755 387.00 | 2012 | 5 | 3 | 4 | 4 | 5 | 5 | M |
| | | | | | 2011 | 5 | 4 | 5 | 4 | 4 | 4 | I |
| Law and justice | | | | | | | | | | | | |
| INJ137 | Australia-Indonesia Partnership for Justice | 13/08/2009 | 31/12/2015 | \$50 000 000.00 | 2012 | 5 | 4 | 3 | 3 | 5 | 5 | M |
| | | | | | 2011 | 5 | 4 | 4 | 4 | 4 | 4 | I |
| INJ274 | Counter-Terrorism Cooperation Fund | 11/01/2010 | 30/06/2013 | \$7 300 000.00 | 2012 | 4 | 4 | 4 | 3 | 4 | 2 | I |
| | | | | | 2011 | 4 | 3 | 3 | 3 | 3 | 2 | B |
| Rural livelihoods and agribusiness | | | | | | | | | | | | |
| ING363 | Australia-Indonesia Partnership for Reconstruction and Development: Aceh Private Enterprise Partnership (Aceh/Nias) | 01/01/2006 | 30/06/2013 | \$6 506 532.19 | 2012 | 5 | 4 | 3 | 4 | 4 | 3 | I |
| | | | | | 2011 | 5 | 4 | 4 | 4 | 4 | 4 | M |
| INJ498 | Australia-Indonesia Rural Economic Development Program | 26/07/2010 | 30/06/2017 | \$112 000 000.00 | 2012 | 5 | 4 | 3 | 4 | 4 | 4 | I |
| | | | | | 2011 | 5 | 5 | 5 | 5 | 4 | 5 | I |
| INJ764 | Nusa Tenggara | 01/01/2011 | 30/06/2015 | \$3 115 000.00 | 2012 | 5 | 5 | 5 | 4 | 4 | 5 | I |

| Initiative name | Initiative start date | Initiative end date | Initiative FMA9 approval Total \$ | QAI year | Relevance | Effectiveness | Efficiency | Monitoring and evaluation | Sustainability | Gender equality | Risk management | |
|--|---|---------------------|-----------------------------------|------------------|-----------|---------------|------------|---------------------------|----------------|-----------------|-----------------|---|
| Timur Agroforestry Community Development Program | | | | 2011 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | |
| Scholarships | | | | | | | | | | | | |
| INJ247 | Scholarships Jakarta Australian Development Scholarships 2011 intake | 01/01/2010 | 30/06/2018 | \$120 426 184.00 | 2012 | 5 | 5 | 5 | 5 | 5 | 5 | I |
| | | | | | 2011 | 5 | 5 | 6 | 5 | 5 | 5 | M |
| INK075 | Australian Development Scholarships in-Indonesia Management Phase III B | 01/12/2011 | 30/06/2014 | \$27 000 000.00 | 2012 | 5 | 5 | 5 | 5 | 5 | 5 | I |
| | | | | | 2011 | 5 | 5 | 6 | 5 | 5 | 5 | M |

Definitions of rating scale:

Satisfactory (4, 5 and 6)

6 = 6 = Very high quality

5 = 5 = Good quality

4 = 4 = Adequate quality, needs some work

Less than satisfactory (1, 2 and 3)

3 = 3 = Less than adequate quality; needs significant work

2 = 2 = Poor quality; needs major work to improve

1 = 1 = Very poor quality; needs major overhaul

Risk Management scale:

6 Mature (M). Indicates the initiative manager conducts risk discussions on at least a monthly basis with all stakeholders and updates the risk registry quarterly.

5 Intermediate (I). Indicates the initiative manager conducts ad-hoc risk discussion and updates the risk register occasionally.

4 Basic (B). Indicates there are limited or few risk discussions and the risk register has not been updated in the past 12 months.

Annex D

Evaluation and review pipeline planning

List of evaluations completed¹² in the reporting period

| Name of initiative | Aidworks number | Type of evaluation ¹³ | Date evaluation report received | Date evaluation report uploaded into Aidworks | Date management response uploaded into Aidworks | Published on website |
|--|-----------------|----------------------------------|---------------------------------|---|---|----------------------|
| SMERU Research Institute | INE114 | Independent completion review | Jan 12 | 17 Feb 12 | - | Yes |
| Eastern Indonesia National Road Improvement Program (Australia-Indonesia Partnership for Reconstruction and Development loans) | ING633 | Independent progress review | Feb 12 | 11 Dec 12 | 11 Dec 12 | Yes |
| LOGICA 2 | INI355 | Mid-term review | Feb 12 | 08 Mar 12 | 08 Mar 12 | Yes |
| Papua Education Sector Development | INH436 | Independent progress review | Mar 12 | 08 Nov 12 | 08 Nov 12 | No |
| Aceh Education Sector Development | INH361 | Independent progress review | Apr 12 | 11 May 12 | - | No |
| Counter-Terrorism Cooperation Fund | INJ274 | Independent completion review | Apr 12 | 05 Nov 12 | 20 Feb 13 | Yes |
| Health Facilities Reconstruction in West Sumatra | INJ124 | Independent completion review | May 12 | 08 Nov 12 | 08 Nov 12 | Yes |
| The Indonesia Project (Australian National University) | INI035 | Independent review | May 12 | 12 Oct 2012 | 12 Oct 2012 | - |
| HIV Cooperation Program for Indonesia under Australia-Indonesia Partnership for HIV | INH251 (07A415) | Independent review | Aug 12 | 7 Nov 12 | - | - |

¹² 'Completed' means the final version of the report has been received.

¹³ E.g. mid-term review, completion report, partner-led evaluation, joint evaluation.

| Name of Initiative | Aidworks number | Type of evaluation ¹³ | Date evaluation report received | Date evaluation report uploaded into Aidworks | Date management response uploaded into Aidworks | Published on website |
|---|-----------------|----------------------------------|---------------------------------|---|---|----------------------|
| Australia-Indonesia Electoral Support Program 2011-2015 | INJ632 | Independent progress review | 15 Nov 12 | 15 Feb 13 | - | - |
| Partnership for Knowledge-Based Poverty Reduction under Poverty Reduction and Social Protection Support | INJ244 (10A664) | Independent progress review | Nov 12 | 13 Feb 13 | 6 May 13 | - |
| The Indonesian Earthquake Hazard Project under the Australia-Indonesia Facility for Disaster Reduction | INI422 (09A142) | Independent progress review | 5 Nov 12 | 14 Feb 13 | - | No |
| Australia-Indonesia Partnership for Emerging Infectious Diseases Animal Health Program 2010-2014 | INJ509 | Independent progress review | 29 Jan 13 | 13 Feb 13 | - | No |
| Australia-Indonesia Partnership for Justice | INJ137 | Independent progress review | Nov 12 | 18 Feb 13 | 18 Feb 13 | No |
| Australia's Support to the Indonesian Government <i>Tim Bantuan Tata Kelola Pemerintahan</i> | INJ823 | Independent progress review | Jan 12 | 15 Feb 13 | - | No |

List of evaluations planned in the next 12 months

| Name of Initiative | Aidworks number | Type of evaluation | Purpose of evaluation ¹⁴ | Expected completion date |
|---|-----------------|-----------------------------|-------------------------------------|--------------------------|
| Australia-Indonesia Partnership for Emerging Infectious Diseases for Human Health | INJ895 | Independent progress review | To improve existing program | First quarter of 2014 |
| Government Partnership Fund Phase II | INJ689 | Independent progress review | To improve existing program | End of 2013 |
| Support for Enhanced Macroeconomic and Fiscal Policy Analysis | INK331 | Independent progress review | To improve existing program | End of 2013 |
| Australia-Indonesia Partnership Decentralisation | INJ122 | Independent progress review | To improve existing program | End of 2013 |

¹⁴ E.g. to inform a future phase of program, to improve existing program; to verify program outcomes.

| Name of initiative | Aidworks number | Type of evaluation | Purpose of evaluation¹⁴ | Expected completion date |
|--|------------------------|-----------------------------|---|---------------------------------|
| Australia-Indonesia Partnership for Justice | INJ137 | Independent progress review | To improve existing program | First quarter of 2014 |
| Australia Community Development and Civil Society Strengthening Scheme Phase 2 | ING429 | Independent progress review | To verify program outcomes | First quarter of 2014 |
| Local Governance and Infrastructure for Communities in Aceh Program 2 | INI355 | Independent progress review | To verify program outcomes | First quarter of 2014 |
| Australia-Indonesia Facility for Disaster Reduction | INI422 | Independent progress review | To verify program outcomes | First quarter of 2014 |