



Australian Government

Department of Foreign Affairs and Trade



AID PROGRAM PERFORMANCE REPORT 2017-18

Indonesia

September 2018



KEY MESSAGES

Indonesia's success is of fundamental importance to Australia.ⁱ As affirmed in the 2017 Foreign Policy White Paper, Australia and Indonesia work together to pursue mutual interests in security, trade and inclusive economic growth, and to promote a rules-based order for the region. Our longstanding development partnership is a vital part of the relationship. Representatives from 23 Australian agencies work alongside their Indonesian counterparts on priority reforms to promote growth and stability in Indonesia and the region.

Australia's development cooperation with Indonesia has evolved from a traditional aid program into an economic partnership. This recognises Indonesia's progress and the distinct development challenges it faces as a lower middle-income country with significant economic and social inequalities as well as regional disparities across the archipelago. While Indonesia's outlook is positive, it faces a range of systemic issues in infrastructure, skills and institutions that could threaten the rate and sustainability of economic growth. Australia works with Indonesia, sharing our experiences, ideas and expertise to help develop policy reforms and trial new approaches to unlock the next phase of inclusive economic growth.

This report summarises the performance of Australia's aid program in Indonesia from July 2017 to June 2018 against the Indonesia Aid Investment Plan 2015-2019 (AIP). Under the AIP, Australia has focussed on three key development objectives: (1) effective economic institutions and infrastructure; (2) human development for a productive and healthy society; and (3) an inclusive society through effective governance. **In 2017-18, progress has largely met expectations. Most performance milestones have been achieved. All three objectives are rated on track, including eight of the eleven outcomes.**

Effective economic institutions and infrastructure

Australia works with Indonesia to improve economic institutions and infrastructure – key enablers for economic growth. With Australia's help, Indonesia has improved budget transparency, built a more open and competitive economy and taken the first steps towards modernising the tax system. Our support for asset securitization has helped Indonesia to introduce a new financing method for infrastructure which has leveraged IDR6 trillion (approximately AUD550 million) of additional investment. Despite steady progress in some areas of our infrastructure support, there were delays in the roll out of a national performance-based road maintenance system. Strong progress was made on business climate reforms with Indonesia leaping 19 places in the 2018 World Bank's Ease of Doing Business rankings. Through our agricultural market program, we have partnered with business to improve profits and increase the incomes of an additional 104,534 farming households by an average of 191 per cent.

Human development for a productive and healthy society

Investment in people – health, skills and knowledge – is an investment in economic growth. Poverty has been steadily declining in Indonesia, but there are still gaps in its social safety nets that widen disparity and prevent marginalised groups from accessing healthcare, education, and employment. Australian advice in 2017-18 helped 1.2 million families to access a strengthened Non Cash Food Assistance Program, while our help to collect better information on the poorest 26.6 million households is supporting the Indonesian Government to target social protection support. We have implemented more than 14 pilot programs to improve teacher quality and children's learning outcomes.

An inclusive society through effective governance

An inclusive and fair society, in which all citizens participate actively, is critical to strengthening Indonesia's democracy and growing its economy. Australia's support for effective and inclusive governance and informed public policy helps Indonesia to tackle complex development challenges. Following long-term advocacy and technical advice supported by Australia, Indonesia has changed its rules to allow non-profit, non-government think tanks to win policy research contracts through the Indonesian Government. Policy makers will now be able to access a wider range of research partners, increasing the available sources of evidence to inform better policy. Australia supported implementation of an improved formula for the allocation of Indonesia's AUD9.3 billion Village Fund. These changes mean more funds will go to the poorest regions.



CONTEXT

Sitting at the heart of an increasingly complex and contested Indo-Pacific region, a prosperous, stable and growing Indonesia is good for regional stability, security, trade and cooperation. Our development program provides one of our best tools to support Indonesia's prosperity and stability. Australia is the fourth largest donor to Indonesia overall (after Japan, Germany and the United States), and the second largest grant donor.ⁱⁱ In 2017-18, Australia provided AUD360.3 million in official development assistance (ODA) to Indonesia. Recognising the importance of the relationship, size of the country (more than 260 million people) and scale of its ongoing development challenges, Indonesia is Australia's second largest bilateral development partner. The scale and breadth of our program gives Australia standing and credibility as a partner.

Throughout 2017-18, the approaching national presidential and parliamentary elections, to be held in April 2019, contributed to the drive for some ministries to progress long-term reforms. Delivering infrastructure and service improvements, promoting growth and reducing inequality continued to be key priorities for President Joko Widodo. However, in some areas such as fuel subsidy reforms, the momentum for change has waned.

Estimated to become one of the world's ten largest economies by 2050,ⁱⁱⁱ Indonesia is yet to meet its full potential. While 2017 saw Indonesia experience its highest rate of gross domestic product (GDP) growth in four years, rising to 5.1 per cent from 5.0 per cent in 2016, this growth is still inadequate in terms of job creation and meeting Indonesia's development needs and ambitions. The Indonesian Government's earlier target growth rate of seven per cent looks unlikely in the short term, further delaying a future transition to high-income status. An infrastructure gap (USD1.5 trillion),^{iv} skills shortage, and significant obstacles remaining in the business environment compound these challenges.

Against this backdrop, inequality is persistently high and more than 80 million Indonesians live under the World Bank's USD3.20 per day poverty line. There are currently 125 million working age Indonesians without jobs in the formal sector and 1.7 million young people enter the workforce each year.^v Efforts have been made to improve essential services such as health and education however, the quality of services is uneven by middle-income country standards, contributing to some alarming socio-economic indicators. For example, approximately one in three children under the age of five are stunted and 55 per cent of Indonesian students who finish their education are functionally illiterate, according to internationally recognised tests, creating a generation of Indonesians who will find it hard to reach their full potential.

Gender inequality is an ongoing barrier to Indonesia's economic growth and social and political development. Women continue to be more vulnerable to poverty, lag behind in workforce participation, have less access to basic services and score lower indicators of wellbeing.^{vi} Indonesia currently ranks 84 of 144 on the World Economic Forum's Global Gender Gap index, a slight improvement on the previous year.^{vii} Violence against women is a significant problem and studies show that one in every three Indonesian women between the ages of 15 and 64 has experienced violence in their lifetime.^{viii} Despite a 30 per cent official quota, women only secured 17 per cent of seats in Parliament in the 2014 national elections.

Indonesia is a disaster prone country with over 90 per cent of its population exposed to risks such as earthquakes, flooding, tsunami, volcanic activity, forest and land fires, drought, epidemics and disease outbreaks. Large scale and recurring disasters can disrupt economic activity and result in high recovery costs. In 2017, Indonesia responded to 2,341 natural disasters with 99 per cent of these caused by weather related hazards.^{ix} The Indonesian Government spends USD300 to 500 million annually on reconstruction.^x Climate change threatens development, exacerbating the intensity and frequency of some disasters.

Overcoming Indonesia's challenges will require difficult structural reforms that encourage sustainable and inclusive economic growth. In recognition of the challenges and opportunities Indonesia faces, and its considerable potential, our relationship has transitioned from a traditional development program to an economic partnership. We continue to adjust our approach, responding to the changing environment and working with Indonesia to test new approaches to policy design and implementation.

EXPENDITURE

Table 1 Total ODA Expenditure in FY 2017-18

Objective	A\$ million	% of total ODA
Bilateral		
Objective 1: Effective Economic Governance and Infrastructure	126.2	35.0%
Objective 2: Human Development for a Productive and Healthy Society	111.4	30.9%
Objective 3: An Inclusive Society Through Effective Governance	59.8	16.6%
Sub-Total Bilateral	297.4	82.5%
Regional and Global	56.6	15.7%
Other Government Departments	6.3	1.8%
Total ODA Expenditure	360.3	100%

PROGRESS TOWARDS AIP OBJECTIVES

In last year's APPR, we rated all three AIP objectives as *green* (see table 2 for rating overview) and assessed eight of the eleven outcomes of our Performance Assessment Framework (PAF) as *on track* and *performing as expected*. **In 2017-18, our objectives remained green and we achieved the majority of our performance milestones. Accordingly, we rated eight of the eleven outcomes as on track.** We rated three outcomes – (2, 9 and 10) amber, as progress has been somewhat less than expected. We updated our performance milestones for next year (2018-19) to reflect the progress and ambition of our programs and are in the process of streamlining our indicators (PAF milestones are detailed at Annex E).

Australia's aid program in Indonesia is on track to deliver against the Australian Government's strategic program targets including *aid-for-trade* and gender equality. In 2017-18 our *aid-for-trade* spend was 19.60 per cent of our total program, contributing to an improved climate for trade, investment, infrastructure and jobs. There has been a slight reduction (0.90 per cent) to our *aid-for-trade* spend from 2016-17. We anticipate that *aid-for-trade* spending will be above the 20 per cent target in 2018-19.

At 83 per cent, the gender performance of our programs has exceeded Australia's target of 80 per cent of programs effectively addressing gender as rated through the Aid Quality Check (AQC) process. This is a slight reduction to the 2016-17 rate of 89 per cent. This is largely due to the inclusion of programs into the AQC process that had not yet met expected standards and a number of final AQCs that reflect performance across the life of the program including earlier poorer performance on gender.

To improve efficiency and better target our efforts, we continued to consolidate our Indonesia bilateral program by reducing the number of investments to 50, compared to 86 in 2013 (against a target of 68). We now have fewer, larger programs, which are more flexible and positioned to respond to Indonesia's needs as it navigates a complex path to reform. As a grant based donor our investments play a critical role in helping Indonesia to access world-class advice, pilot new approaches, better allocate its own resources and attract other finance from the private sector and multilateral development banks.

As we prepare for our next AIP we will continue to engage with Indonesia on how best to position Australia's assistance going forward and how to adjust the program to respond to Indonesia's changing needs, informed by the development of its next medium-term development plan and Australia's own White Paper priorities. In 2018-19, we will continue to refine our performance systems and support programs to embed gender equality.

1: EFFECTIVE ECONOMIC INSTITUTIONS AND INFRASTRUCTURE



Table 2 Rating of the Program's Progress towards Australia's Aid Objective 1

Objective	Previous Rating	Current Rating
Objective 1 : Effective Economic Institutions and Infrastructure	Green	Green
Outcome 1: Stronger economic institutions	Green	Green
Outcome 2: Infrastructure is better planned, delivered and maintained	Green	Amber
Outcome 3: More jobs and higher incomes, especially for poor households	Amber	Green

Green. Progress is as expected at this stage of implementation and it is likely that the objective will be achieved. Standard program management practices are sufficient.

Amber. Progress is somewhat less than expected at this stage of implementation 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 at this stage of implementation and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.


Indonesia needs to maintain its reform momentum if it is to continue strong economic growth. Strengthening the quality and governance of economic institutions and supporting competitive markets will help Indonesia create more jobs with higher incomes, incentivise private sector investment, and bridge the USD1.5 trillion infrastructure gap that constrains the pace of Indonesia's growth.^{xi} Indonesia recognises these challenges and has set goals, through its medium-term development plan (RPJMN), to improve employment, reduce poverty, and address inequality. Australia's economic partnership aligns with these goals by supporting Indonesia to build effective institutions and infrastructure to promote inclusive economic growth. By reducing inequality, we help Indonesia maintain social stability, promote tolerance and pluralism, and counter violent extremism.^{xii}

Outcome 1: Stronger economic institutions

Outcome 1 has been rated green, as there have been strong improvements to budget transparency and supervision of conglomerates in line with our milestones.

Strong economic institutions underpin Indonesia's continued economic growth, and help to ensure it is equipped to deal with any future downturns. To meet its full potential Indonesia needs to invest in infrastructure and human development to grow its economy while supporting the most vulnerable in the community. In 2017-18, Australia worked with Indonesia to take the first steps in modernising its tax system, improve budget transparency to give citizens a greater say in resource allocations, and increase the supervision of conglomerates, which dominate its financial system, to reduce the risk of financial instability.

The *Australia Indonesia Partnership for Economic Governance program (AIPEG, AUD112.1 million; 2008-2018)* and the Australian Department of Finance (through the *Government Partnerships Fund Phase II [GPF, AUD74.8 million; 2011-2018]*), helped the Indonesian Ministry of Finance improve budget transparency by better classifying expenditure on areas such as health, education and infrastructure, and facilitating pre-budget and mid-year updates for greater accountability. AIPEG's key contribution was helping Indonesia produce historical and forward-looking data and classifying expenditure in line with international standards.



Building on work from 2016-17, the Indonesian Government has successfully delivered a set of policies to promote budget transparency at the national level which increased its score on the Open Budget Index to 64 out of 100, its best ever performance. Indonesia's improved score meant it jumped into the same category as Australia, which recognises countries that have sufficient budget transparency and information available.

Indonesia's low tax revenue limits its ability to develop. At just around 10 per cent of GDP in 2017, its tax ratio is too low to meet the rising infrastructure, economic and social spending needs of a middle-income country.^{xiii} By comparison, Indonesia's regional peers collect taxes around 15 per cent of GDP, and other emerging countries (BRICS) around 22 per cent.^{xiv} A modern tax system is key to sustaining increased revenue. For Indonesia, this means a complete overhaul of its IT system and better processes for core functions like taxpayer registration, processing tax returns and enforcing tax collections. A modern tax system will also increase the level of trust taxpayers have in the administration, helping to increase the number of people willing to pay tax.

As a major step, in May 2018 President Widodo signed a decree paving the way for procurement of a new tax IT system. Australia has worked closely with Indonesia's Directorate General of Taxation to help prepare the tender documents and prepare the organisation for major changes to IT systems and core administration functions. These changes are expected to transform Indonesia's tax system in the medium term, but are not guaranteed. While the initiative is a top priority, the national elections in 2019 may slow progress.


Indonesia's Financial Services Authority (OJK) has enhanced financial-conglomerate supervision as one of its '10 strategic priorities' for 2017-2022. In 2017, AIPEG and Australia's financial regulator, APRA, supported OJK to establish dedicated units to regulate conglomerates. The risky lending of banks to conglomerates with interrelated companies that operate across sectors (e.g. banking and insurance), and a failure to adequately supervise their behaviour, was one of the main reasons the Asian Financial Crisis of the late 1990's had such a catastrophic impact on Indonesia. Through the *Australia Indonesia Partnership for Economic Development (PROSPERA, AUD145 million; 2018-2023)*, we have developed and progressed plans to facilitate information-sharing on international practices and Australia's model of regulating and supervising holding companies. OJK announced a draft regulation in June 2017 to take forward these reforms but despite expectations, this has not yet been introduced.

Outcome 2: Infrastructure is better planned, delivered and maintained

Outcome 2 has been rated amber despite steady progress in some areas of infrastructure support. Progress is below expectations due to delays in the roll out of a national performance-based road maintenance program.

Infrastructure connects workers with jobs, reduces costs for businesses, creates opportunities for remote communities, enables trade and increases productivity. While Indonesian infrastructure development continues to be focussed on quickly delivering as much infrastructure as possible to remedy the infrastructure deficit, capacity constraints mean that some infrastructure is not as well planned and maintained as it should be. Indonesia's RPJMN anticipates that the private sector will contribute 37 per cent of the USD415 billion investment target for infrastructure in Indonesia.^{xv} Yet private investment has fallen in recent years from 19 per cent of total investment from 2006-10 to nine per cent in 2011-15.^{xvi} The uncertain legal and regulatory environment, difficulties in prioritising projects, heavy reliance on state owned enterprises, and the limited availability of market finance make it harder for the private sector to invest in Indonesia's infrastructure.

Australian support has helped Indonesia progress its infrastructure priorities. Through the *Multilateral Development Bank Infrastructure Assistance Program (MDB-IAP, AUD60.5 million; 2013-2019)* we have helped Indonesia to increase investment in infrastructure. Australian technical support to key Indonesian ministries helped to prepare, plan, budget and successfully apply for multilateral loans to fund major infrastructure projects. In 2017, MDB-IAP continued to support high quality project preparation and financing through two trust funds administered by the World Bank - *Indonesia Infrastructure Support (INIS)*, and the ADB - *Sustainable Infrastructure Assistance Program (SIAP)*. This work has been reinforced by support from the *Australia Indonesia Infrastructure Partnership (KIAT, AUD146.2 million; 2016-2021)* to the Public-Private Partnerships Office, run jointly by Indonesia's National Planning Agency (BAPPENAS) and the Ministry of



Finance. As a result, Australia helped Indonesia attract AUD3.1 billion of additional infrastructure investment, far exceeding Australia's performance benchmark target of AUD600 million.

INIS supported the development of tourism master plans for Lake Toba, Mandalika-Lombok, and Borobudur that has identified approximately USD1.1 billion in infrastructure investment from 2018 onwards. Tourism masterplans are an essential first step for investment and contribute to the roll out of Indonesia's Tourism Development Program, which aims to attract USD10 billion in private investment in ten destinations by 2019.

In the energy sector, Australia helped prepare high quality projects for multilateral financing through SIAP supported due-diligence and safeguard assessments for two energy-sector Result Based Loans (RBLs). These loans to Indonesia's electricity authority (PLN) have improved the electricity grid in Sumatera, Sulawesi and Nusa Tenggara. Our support for the loans led to a three per cent increase in electricity connections in Sumatera.

Both INIS and SIAP have supported climate change mitigation and adaptation in Indonesia through infrastructure projects. For example, INIS is working with the Directorate General of New and Renewable Energy to explore new ways to support energy efficiency policy, and has provided advice on how the Indonesian Government can meet its energy efficiency targets. SIAP is helping to prepare a project that will make Indonesia's access to irrigation and drinking water more secure. This work focuses on improving the management of existing water infrastructure to increase Indonesia's resilience to climate change.

An independent evaluation of MDB-IAP was conducted in early 2018 and found that overall the program was operating effectively.^{xvii} Australia is currently considering the design of future infrastructure trust funds with a variety of multilateral partners. In the event that these investments proceed, we will respond to the recommendations of the evaluation, by including detailed governance arrangements, specific outcomes and outputs, and mechanisms to allow for annual priority setting.


Australian support through AIPEG has helped Indonesia to use asset-backed securities to leverage new funding for infrastructure. This approach allows Indonesia's state enterprises to sell future earnings such as motorway tolls to attract funding without having to sell off assets. In 2017, the use of asset securitisation helped to leverage an additional IDR6 trillion (approximately AUD550 million) of new finance for infrastructure.

In addition to providing technical assistance, we have worked with Indonesian partners to pilot new approaches and demonstrate efficiencies that can be taken to scale. The *Tertiary Irrigation Technical Assistance (TIRTA)*, part of the *Australia Indonesia Partnership for Rural Economic Development Program (AIP Rural, AUD112 million; 2010-2019)*, supported the development of a new consulting service to support irrigation providers to improve the design of local irrigation systems. This support has made it cheaper to run and maintain local irrigation systems and has allowed irrigation service providers to invest in high quality equipment and expand where they work. In 2017, TITRA helped 2,782 farmers access affordable irrigation and increase their yields, and increase their incomes by an average of 191 per cent.

Australia's successful *Provincial Road Improvement and Maintenance Program (PRIM, AUD37.7 million; 2014-2021)*, reimburses up to 40 per cent of road maintenance costs in Nusa Tenggara Barat (NTB) when it can be proven that maintenance has been completed to an agreed standard. In 2017, more than 1,000km of roads were maintained and rehabilitated under the program and more than 95 per cent of works met the necessary quality standards for reimbursement.

While the Indonesian Government indicated that up to IDR3.5 trillion (approximately AUD350 million) of the 2018 Indonesian national budget would be allocated to support a national results-based program for sub-national road maintenance (based on the PRIM model and known as Hibah Jalan Daerah – HJD), no funding was allocated due to budget constraints. **In response to this, further Australian support for the PRIM pilot program is now contingent on the Indonesian Government providing a budget allocation for the rollout of the national HJD program in 2019. The Indonesian Government is expected to consider the budget allocation for HJD in October 2018, with roll-out scheduled in 2019.**

Australia has also been working with the Directorate General of Highways (DGH) to improve Indonesia's road maintenance capability by creating a national roads database (known as the Road Asset Management System – RAMS). The database aims to improve Indonesia's ability to plan and budget for road maintenance. In early



2017, RAMS was piloted in four Regional Offices (across ten provinces) and was used in part to prepare the 2018 budget for these Regional Offices. An independent review of the RAMS found that the system was suitable for use by DGH Regional Offices and met the relevant Indonesian policies.

Following this review, the DGH formally instructed National Road Regional Offices to prepare all annual plans and budgets for national roads preservation for 2019 using the RAMS. This will result in all 18 Regional Offices in 34 provinces covering 47,000kms of roads with the RAMS system developed with Australian support. In 2019, Australian support for road maintenance will transition from establishing the national roads database to improving asset management practices, including road surveying, data collection and decision-making tools, and using forward work plans to improve project delivery.

Indonesian infrastructure development continues to focus on delivering as much infrastructure as possible as quickly as possible. While this is important to bridge Indonesia's USD1.5 trillion-infrastructure gap,^{xviii} capacity constraints within government ministries means that some infrastructure is not as well planned and maintained as it should be. Australia's technical assistance on infrastructure is valued; however, it can be hard to gain traction in cases where we do not directly finance projects. Our most successful activities with Indonesia continue to be those where we use Australian funding to demonstrate new approaches, which Indonesia can then take to scale using its own financial resources. For example our *Water and Sanitation Hibah Phase 2 (AUD119.7 million; 2009-2019)* program is the only results-based program in Indonesia to be replicated by the Indonesian Government. It is a standout example of how our support can demonstrate new, effective ways of working that can be taken to scale. We expect the adoption of the PRIM model through the roll out of HJD in 2019 will continue to demonstrate the success of this approach.

Addressing gender equality has been a key consideration in our infrastructure support. Our KIAT program has dedicated resources for gender and social inclusion and engagement with civil society. This team has developed a five-year work plan to promote understanding of gender and social inclusion issues in infrastructure and mainstream gender and engagement with civil society across all of KIAT's new activities.

Outcome 3: More jobs and higher incomes, especially for poor households

Outcome 3 has been rated green as a result of progress in the ease of doing business in Indonesia. Adoption of reforms and growth of foreign investment is in line with our expectations and we exceeded the milestone target for increases to farming household incomes.

Policy reforms to grow the private sector and increase investment in Indonesia are needed to provide jobs for the 1.7 million young people joining Indonesia's workforce each year.^{xix} Agriculture is an important employer for 33 per cent of Indonesia's workforce and increased agricultural productivity is a critical pathway out of poverty for the 46 million people employed in the sector. The participation rate of Indonesian women in the workforce is below average for the region, constraining Indonesia's economic growth. To support Indonesians working their way out of poverty, Australia has backed efforts to make it easier for women and men to do business in Indonesia, grow investment and increase incomes of farming households.

With Australia's support through AIPEG, PROSPERA and the *Australia Indonesia Partnership for Justice Phase 2 (AIPJ2, AUD40 million; 2017-2022)*, Indonesia has made it easier to do business and deal with commercial disputes. In 2017, Indonesia leapt 19 places in the World Bank's Ease of Doing Business rankings; the largest annual gain for Indonesia since the index started. In 2017, Australia assisted Indonesia's economic agencies to make business licences cheaper, renewals easier and improve investor protection. In 2018, Australia helped Indonesia's Supreme Court move towards electronic courts for easier commercial adjudication.

The AIPEG program has a strong history of providing an evidence base to support opening Indonesia's economy to trade and investment. Australia's long-term collaboration with Indonesia resulted in changes to the Negative Investment List in 2016, which made it easier for foreign companies to invest in Indonesia. In 2017, foreign investment in Indonesia rose by more than USD3 billion, mainly in areas where AIPEG had been successful in working with the Indonesian Government to liberalise trade.^{xx} Foreign direct investment – where international investors are starting new businesses or buying into existing businesses in Indonesia – increased by 11 per cent to USD32.2 billion.^{xxi} Australian firms' investment in Indonesia rose almost fourfold to AUD514 million in 2017, the highest it has been for three years.^{xxii} Australian investment is still concentrated in

mining and other areas of natural resources, but new figures suggest that there was growth in services investment last year, especially hotels and restaurants.^{xxiii}

Australia is using evidence-based policy to make it easier for small to medium manufacturing firms in Indonesia to do business. In 2017-18, AIPEG and *Pulse Lab Jakarta* (AUD9.4 million; 2015-2019) investigated ways to open up imports to Indonesia through simplified customs and approval processes. The Indonesian Trade Ministry's Research Team used this report to convince others of the need to change the trade rules. The new rules have meant it is easier and cheaper to import textiles to Indonesia.

AIP-Rural has continued to provide on-the-ground evidence that open, competitive markets can work in Indonesia for the benefit of the poor as well as the private sector. In 2017, AIP-Rural collaborated with the private sector and farmers to increase farmer's access to inputs such as seed, fertiliser and credit and ways to sell, transport and process their crops. This support resulted in increased incomes for an additional 104,534 smallholder farming households by an average of 191 per cent (15 per cent above the target number of households and 536 per cent above the target for incomes).^{xxiv} Forty-two per cent of the beneficiaries of AIP-Rural were women, making it an important investment for increasing the incomes of women and improving gender equality. The benefits of this program to farmers and business is shown by their willingness to co-invest. AIP-Rural has leveraged a total of AUD6.7 million in additional funding from 121 private sector partners and AUD13.4 million from farmers themselves, meaning that co-invested funding has now exceeded Australia's direct program costs.^{xxv}

Indonesia has made significant progress, including making it quicker and cheaper for women to start a business reducing the time taken from 24.9 days in 2016 to 11 days in 2017, and reducing the cost by 8.5 per cent.^{xxvi} These reforms will help create jobs and raise incomes. However, there remain important unresolved constraints to starting a business - Indonesia ranks 144th out of 190 countries on the starting a business indicator in the 2018 World Bank's Doing Business Report.^{xxvii} Going forward, Australia will work with the Coordinating Ministry for Economic Affairs on changes that can help transform Indonesia's economy such as a single business number (like an Australian Business Number) and efforts to introduce a single portal for all business permits, which would make it quicker and easier for businesses to interact with government. We will continue to support the removal of restrictions on foreign investment as we finalise a free trade agreement with Indonesia under the *Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA)*. By December 2018, AIP-Rural is expected to achieve its five-year target of increasing incomes for 300,000 smallholder farming households by at least 30 per cent. Building on the success of the PRISMA component of the AIP Rural Program, we will launch a second phase of PRISMA in January 2019, which will aim to increase incomes for an additional 700,000 smallholder farming households by 2023.

OBJECTIVE 2: HUMAN DEVELOPMENT FOR A PRODUCTIVE AND HEALTHY SOCIETY



Table 3 Rating of the Program's Progress towards Australia's Aid Objective 2

Objective	Previous Rating	Current Rating
Objective 2: Human Development for a Productive and Healthy Society	Green	Green
Outcome 4: Government spending is better targeted to reduce poverty	Green	Green
Outcome 5: More households can access water and sanitation	Green	Green
Outcome 6: Children have improved literacy and numeracy	Amber	Green

Green. Progress is as expected at this stage of implementation and it is likely that the objective will be achieved. Standard program management practices are sufficient.

Amber. Progress is somewhat less than expected at this stage of implementation 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 at this stage of implementation and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Indonesia needs a healthy and educated population to grow its own economy. Poverty, high levels of inequality, poor teacher quality and limited access to water and sanitation makes this hard to achieve. Poverty has been steadily declining in Indonesia, however over 80 million Indonesians still live under the World Bank's USD3.20 per day poverty line. There are gaps in Indonesia's safety net, which means that many of the most marginalised continue to miss out. Despite increases in school funding and access to schooling, Indonesian children are not learning the basic skills needed to succeed in the workforce and 55 per cent of Indonesian students who finish their education are functionally illiterate.^{xxviii}


While there have been significant improvements in access to safe water and sanitation, the growth of Indonesia's cities - the fastest in Asia - is making it harder to ensure that all people receive these basic services. There is a significant lack of working and maintained toilets across Indonesia, particularly in rural, isolated and poor locations, leading to poor sanitation. This contributes to the high rates of stunting amongst Indonesian children under the age of five - 9 million children are permanently stunted, impairing their growth and development and significantly lowering their learning prospects as an adult. Indonesia faces losing two to three per cent of GDP per year if these levels of stunting continue.

Outcome 4: Government spending is better targeted to reduce poverty

Outcome 4 has been rated green, as there has been an encouraging decline in poverty in Indonesia linked to more effective government spending. In line with our expectations, Australian support has contributed to 1.2 million families gaining access to a new Non Cash Food Assistance Program linked to the banking system. Indonesia's unified poverty database supported by Australia captures 26.6 million households and continues to inform government social protection programs, strengthen financial inclusion efforts and has helped more poor Indonesian families to access bank accounts and social assistance.

Although poverty has been steadily declining, Indonesia is not on track to reach the target it set in 2015 to reduce the number of people living under the national poverty line to eight per cent by 2019. The Indonesian Government has substantially increased its investment in social protection programs, designed to reach Indonesia's poorest citizens and to protect the most vulnerable. However, a number of the reforms are ambitious. Indonesia is a large country with a fragmented geographical spread that includes remote and isolated areas. The success of any government social protection program will rely on how well it is designed, supported, and delivered. Our economic partnership with Indonesia means that our focus is on supporting Indonesia to achieve these ambitious reforms so that its large investments are effective in reducing poverty.

As reported in 2016-17, through the *Towards a Strong and Prosperous Indonesian Society program (MAHKOTA, AUD62.8 million; 2015-2019)*, Australia funded the pilot of a new Non Cash Food Assistance Program that provides families access to staple foods, empowers local producers and suppliers, and is



increasing access to secure modern banking services and financial literacy for communities. Each month the Indonesian Government transfers approximately AUD10 to a client's bank account to purchase rice and eggs from participating shops and markets. This program replaces Indonesia's Rice for Prosperity Program, which suffered from inefficient logistics, meaning the transportation costs were higher than the cost of rice, which varied in quality. This new approach allows people to choose the amount and quality of core staples they need (up to the value of the benefit), and for sellers to use their own suppliers instead of the inefficient state based logistics agencies.

Based on the positive results of this Australian-supported pilot, the Indonesian Ministry of Social Affairs rolled out the new program to 44 cities. By the end of 2017, 1.2 million families had benefited from the new program. MAHKOTA funded experts in the *Vice President's National Team for Accelerating Poverty Reduction (TNP2K)* to coordinate the design and implementation of the program, including development of an implementation manual, complaint handling system and rigorous monitoring. A review conducted by the *Partnership for Knowledge-based Poverty Reduction trust fund (PKPR, AUD28.4 million; 2010-2019)* found that there were weaknesses in the way the program was rolled out in its first year. For example, in some instances only rice purchased by the Indonesian Government was available for people to buy, undermining the program's efforts to shift toward a market-based approach. The Indonesian Government, informed by TNP2K monitoring and the PKPR review, has decided to slow expansion of the program in 2018, to allow improvements to be made.


To support Indonesia to effectively address poverty reduction, it is essential to understand the poverty profile across the country. Since 2011, Australia has supported the establishment and maintenance of the Unified Database (UDB). The UDB contains data that has identified the poorest 26.6 million households (approximately 96.7 million people), making it the second largest such poverty database in the world. The Indonesian Government uses the UDB to determine which families receive access to large social protection programs, including the Family Hope Program and the Non Cash Food Assistance Program, as well as grant assistance for 19 million poor students and subsidised health insurance for 92 million poor Indonesians. In 2017, MAHKOTA funded the technical team within TNP2K, which manages the UDB, as well as the critical hardware and software needed to maintain it.

This builds on work from 2016 when it was recognised that poverty data needed to be updated more frequently to maintain accuracy. MAHKOTA funded TNP2K technical experts to pilot a new dynamic approach that allows local governments to collect updated poverty data robust enough for inclusion into the UDB. By the end of 2017, 34 districts/cities were using the updating mechanism and had already sent data to TNP2K for ranking. From these 34 locations, 45,535 new households were added to the UDB, bringing poor families into the system who had previously been excluded from national social assistance programs.

Although the pilot was successful and delivered against expectations, significant challenges need to be addressed before the dynamic updating mechanism can be scaled up further and new families enrolled in the social protection programs that help poor families afford staple foods, health and education. Another challenge is that the UDB remains heavily reliant on Australian funding for its continued operation. Management of the UDB may need to transition to a permanent Ministry, like Social Affairs or Planning, to secure ongoing Indonesian funding for both the database and the newly piloted mechanism to update it. However, no decisions within Indonesian Government have been made and Australia will continue working with senior policy makers to resolve this.

Just 49 per cent of Indonesian adults have bank accounts, with most people relying on risky, informal means of managing their money, which are more expensive and make people more vulnerable to poverty. Through MAHKOTA, its predecessor program – the *Poverty Reduction Support Facility (AUD122 million; 2010-2015)* and PKPR, Australia has supported a series of pilots and analysis since 2011 that in 2017 contributed to significant progress in Indonesian Government policy for financial inclusion.

In 2017, President Widodo signed a presidential regulation on transferring social assistance payments through bank accounts, marking a significant shift. Previously, benefits were provided as goods (rice) or as cash collected from post offices. The use of bank accounts is intended to increase financial literacy and, over time,



allow Indonesians to save and access other financial services. In 2017, PKPR and MAHKOTA supported the Ministry of Social Affairs to transition Indonesia's Family Hope Program to electronic payments and to establish electronic payments for the new Non Cash Food Assistance Program. As a result, 6 million beneficiaries are receiving their social assistance payments through bank accounts, in line with Indonesia's targets. The majority of bank accounts have been opened in women's names, indicating that this is helping women who were previously excluded from the formal banking system to access financial services. However, challenges remain. Many people who benefit from the program are unsure about how to use their accounts to withdraw payments, and banking coverage is still limited, especially in remote areas. Australia is continuing to monitor and advise Indonesia on how to strengthen these aspects of implementation through MAHKOTA and PKPR.

At the sub-national level, Australia's *Governance for Growth Program (KOMPAK, AUD96.2 million; 2015-18)* supported improved transparency of the Indonesian Government's Village Fund (valued at approximately AUD9.3 billion). In 2017-18, KOMPAK worked with 311 local governments (villages) and civil society partners to help communities to participate in village development, planning and budgeting. Budget data is now on display in these communities, which is helping to improve accountability and build community ownership. KOMPAK is using the lessons learned from working in these villages to inform the Indonesian Government's efforts to improve the transparency and accountability of the Village Fund. Australia is also assisting other marginalised groups to help build their financial literacy and support their engagement in Indonesia's economy. Through KOMPAK, we have worked with the OJK to use their budget to develop 13 financial literacy modules for people with disabilities and the elderly.


Protecting Indonesia's Health will Protect Australia

Indonesia is susceptible to new and emerging infectious diseases, including those with pandemic potential. A major disease outbreak in Indonesia could have severe health and economic implications. As outlined in the 2017 Foreign Policy White Paper, Australia's development funding strengthens health systems and combats health risks that cross national borders, making it a key priority area for Australia's ongoing economic partnership with Indonesia. Australia has been supporting Indonesia to address health security challenges for several years through the *Australia Indonesia Partnership for Emerging Infectious Diseases (AIPEID 2, AUD9.9 million; 2015-2018)*. Given that, 75 per cent of new or emerging infectious diseases in people are spread from animals, the program focuses on both human and animal health and is supporting Indonesia to build its national human and animal disease surveillance systems and emergency response mechanisms. The Animal Health Information System that was developed under the program now has over 3 million users and is reporting various types of data, including episodes of disease at the grassroots level, helping to improve the response to potential outbreaks. The design of a new *Australia-Indonesia Health Security Partnership (AIHSP)* is underway and will be aligned with regional activities under Australia's Health Security Initiative. The AIHSP will continue to help strengthen Indonesia and the region to mitigate, detect and respond to health emergencies and reduce the threat posed by emerging infectious diseases.

Outcome 5: More households can access water and sanitation

Outcome 5 has been rated green as the milestone to provide access to safe water and basic sanitation for 200,000 women and men has been exceeded. 451,812 people now have improved access to water and sanitation, 49 per cent of which were women.

Indonesia is estimated to lose IDR56 trillion (approximately AUD5.3 billion) each year due to the poor quality of sanitation.^{xxix} Diarrheal diseases are the fifth leading cause of death in Indonesia, while individual households bear much of the economic burden of these diseases through lost productivity. Access to sanitation is a major issue for women and girls. They are often responsible for collecting water and dealing with dirty water once it has been used, reducing productivity and creating health risks. Access to proper sanitation facilities can reduce barriers for girls to attend school and improve their safety. The urban poor are also disproportionately affected by poor sanitation. Indonesia has set an ambitious target through the RPJMN to achieve 100 per cent access (in urban and rural areas) to clean water and safe toilets by 2019. However,



outside of Jakarta, very few people have the specialist skills needed to build and maintain water and sanitation infrastructure, 80 per cent of Indonesia's population do not have access to piped water, and 98 per cent of the population do not have access to sewerage systems. BAPPENAS estimates that approximately AUD55 billion is needed to achieve the targets by 2019, with 17 per cent of the cost expected to come from other donors, the private sector and communities.

In 2017, our *Water and Sanitation for Low Income Communities Project (PAMSIMAS Phase 2 and 3, AUD70 million; 2013-2022)* reached an additional 295,000 people who now have access to improved water and basic sanitation in 2,251 villages, 144,550 of these were women and 2,942 were people with a disability. Since the start of the program in 2008, it has enabled a total of 13.2 million people to access improved water and total of 11.6 million people have access to basic sanitation.

Australian investments in Water and Sanitation have leveraged USD1.6 billion in World Bank loans and Indonesian Government funding for PAMSIMAS. Australian funds for the third phase of the program represent approximately five per cent of the overall costs (AUD114 million out of the USD1.6 billion). By supporting PAMSIMAS over the long term, Australia has helped demonstrate the success of this model, which is now majority funded by Indonesia – national, local and village funds make up 60 per cent of the total budget. PAMSIMAS is a prime example of how we are working in economic partnership with Indonesia to pilot new approaches, which can be adopted by Indonesia to support much needed development outcomes.


Australian support for PAMSIMAS has also helped to increase the level of disability-inclusion in water and sanitation. As of December 2017, approximately 59,000 (or 0.4 per of the total) people living in the 17,769 villages where PAMSIMAS is working were categorised as people with disabilities.^{xxx} To date PAMSIMAS has helped 25,000 of these people improve their access to safe water and sanitation. Australia's advocacy to integrate disability within the program has resulted in the training of more than 50 facilitators in disability inclusive development and implementation of a pilot disability-inclusion program in about 200 villages, across 28 provinces. The pilot will be expanded over the life of the program and plans to provide an additional 10,000 villages with disability friendly water and sanitation facilities by 2020.

In 2017, our *Australia Indonesia Infrastructure Grant for Municipal Sanitation program (sAIG, AUD40 million; 2012-2018)* almost doubled the number of sanitation connections it provided, reaching 11,594, up from 6,036 in 2016. This is a significant improvement following an underperformance rating in 2016-17. We agreed with the Indonesian Government to make changes to the sAIG program so that it is more attractive for local governments to join the program. Following these changes, sAIG appears to be improving and is expected to meet the revised target of 46,000 connections by 2019. Local governments are active participants in the program, allocating around AUD6.2 million of their budget to the program in 2017. sAIG met 98 per cent of its target for number of connections built in 2017 (4988 out of 5077).

An independent review of *Water and Sanitation Hibah Phase 2* was undertaken in December 2017. The review found the program's effectiveness, sustainability and replicability to be good.^{xxxi} The review noted that implementation progress for the Sanitation Hibah has improved over time and uptake of the program is on track or completed in three of the four target locations. The review highlighted the key strengths of the program as policy influence, strong participation of local governments and significant increase in access to services. Australia is implementing the review's recommendations regarding improving community socialization, strengthening monitoring and evaluation (including monitoring of gender outcomes) and increasing the grant funding allocated for Sanitation Hibah. Australia is co-financing with the Indonesian Government the construction of a wastewater treatment system in Palembang City, which is demonstrating a new way of building, financing and managing municipal infrastructure. This Plant will improve the health and productivity of around 100,000 residents in Palembang. The model ensures greater engagement and ownership by the local government, while at the same time providing the required technical support to ensure better quality and sustainability. Site preparation and earthworks are currently underway, with construction of the main water treatment plant expected to begin in early 2019.

Outcome 6: Children have improved literacy and numeracy

Outcome 6 has been rated green as milestones relating to piloting new approaches to address Indonesia's weak student learning outcomes have been achieved: more than 14 pilot programs have been successfully



implemented, Australian investments have leveraged AUD7 million from Indonesia to improve teaching and learning, and an evaluation of teacher pilots has expanded from 10 to 33 sub-districts.

Indonesia's education system is large, complex and diverse. Several ministries oversee the system but responsibility for service delivery sits with sub-national governments. Inequality in Indonesia extends to education, with lower educational outcomes in poorer areas such as the Papuan provinces. Top down reforms often fail to take into account different local realities. There are high rates of teacher absenteeism, particularly in remote areas where one in five teachers did not come to school.^{xxxii} Half of Indonesia's education budget goes to paying its 3 million teachers, but on average teachers score lower than the minimum competency standards for teaching.^{xxxiii} International tests of student achievement show Indonesian student's learning outcomes are low.^{xxxiv} Encouragingly, Indonesia has achieved gender parity on student enrolment. The challenges Indonesia faces in improving the quality of education are sizable, and reforming the sector is a long-term endeavour. Australia's support targets areas likely to have the greatest impact in helping Indonesia maximise its own resources for bigger returns.

Islamic schools (madrasah) make up about 20 per cent of primary and secondary schools in Indonesia, but these are often underfunded and understaffed. Improving the quality of education is a critical step in improving children's literacy and numeracy. Through our *Technical Assistance for Education System Strengthening Program (TASS, AUD12 million; 2017-2020)* we supported Indonesia's Ministry of Religious Affairs to develop a standardised approach to teacher professional development in all religious schools which have not previously had access to routine and systematic professional development.^{xxxv} In 2017-18, pre-piloting work provided training for 800 madrasah teachers across 20 locations. In 2018-19, this will be expanded to 84 districts fully funded by the Indonesian Government – leveraging AUD1.7 million from Indonesia's budget.

In 2017-18, at least 14 pilots aimed at improving student outcomes have been implemented with Australian support. *Innovation for Indonesia's School Children (INOVASI, AUD49 million; 2016-2019)* expanded into three new provinces, and is now operating in 12 districts across North Kalimantan, Sumba in Nusa Tenggara Timur, in addition to West Nusa Tenggara and has completed a stocktake study on promising education innovations in East Java. INOVASI is supporting 12 pilots that were co-designed with local communities to identify local solutions to issues related to teaching and learning. These pilots are in their early stages, but there is evidence to suggest that in all pilots the knowledge and skills of teachers is being improved.^{xxxvi} At this early stage of INOVASI implementation, there has not yet been a measureable impact on student outcomes. However, data has shown indications of improved learning. For example, early results from the classroom action research pilot (Guru BAIK) in Southwest Sumba has shown that 84 per cent of 719 students (327 female and 392 male) from 12 schools have passed the minimum standards in mathematics and Bahasa Indonesia compared to 59 per cent prior to the pilot.

In the Papuan Provinces, our *UNICEF Rural and Remote Education Initiative (AUD16.8 million; 2014-2018)* has supported an increase in literacy among 7692 early grade students (3672 girls and 4020 boys) from 50 per cent (2015) to 72.6 per cent (2017). Evidence also shows improved teaching and learning processes, teachers' participation and students' assessment.^{xxxvii}

Australian investments have been successful in encouraging Indonesia to allocate funding to support learning outcomes. In 2017-18, the presence of our programs helped attract over AUD7 million in additional financing from the Indonesian Government, principally for pilots to improve teacher performance and accountability and for addressing teacher absenteeism (KIAT Guru). District governments have also increased budgetary allocations for education. For example through a collaboration with KOMPAK, ten districts have increased their education budget to help achieve benchmarks for teaching. This has helped 201 schools to achieve the minimum service standards (MSS). Through the *Improving Dimensions of Teaching, Education Management, and Learning Environment (ID-TEMAN, AUD9 million; 2016-2019)* World Bank Trust Fund, we assisted five Indonesian pilot areas to introduce an electronic school planning and budgeting system, which will improve the efficiency and effectiveness of school level planning and budgeting.

In 2017, through the *Local Solutions to Poverty (LSP, AUD191.5 million; 2008-2020)* World Bank Trust Fund, we continued to support the KIAT Guru pilot project that assessed the impact of linking teacher allowances to performance. KIAT Guru has helped improve teacher attendance in 203 target schools from a baseline of

65 per cent in 2016 to 92 per cent in 2018 and increased community satisfaction with teachers from 56 per cent (2016) to 93 per cent (2018).^{xxxviii} In 2017, KIAT Guru achieved the target of expanding from 10 to 33 sub-districts and has the potential to increase learning outcomes for up to 26,000 students in targeted schools.

We will continue to support the Indonesian Government in achieving key education milestones, such as improved literacy and teacher attendance. Support for testing new approaches at the local-level under these programs will help inform policy changes needed to improve student learning outcomes. Through our work with the World Bank (ID-Teman and LSP) and TASS, we are addressing the national level system-wide constraints to improving teacher quality, budget allocations and student assessments. To complement this work, KOMPAK will develop sectoral strategies to strengthen our support to sub-national governments responsible for education service delivery.

OBJECTIVE 3: AN INCLUSIVE SOCIETY THROUGH EFFECTIVE GOVERNANCE



Table 4 Rating of the Program's Progress towards Australia's Aid Objective 3


Objective	Previous Rating	Current Rating
Objective 3: An Inclusive Society Through Effective Governance	Green	Green
Outcome 7: Governments – national and local – deliver the services communities need	Green	Green
Outcome 8: Women have a voice in decision making and access to better jobs and services	Green	Green
Outcome 9: Marginalised groups can advocate for and access basic services	Amber	Amber
Outcome 10: Climate change impacts are lessened through better land management	Green	Amber
Outcome 11: Public policies are inclusive and informed by evidence	Green	Green

Green. Progress is as expected at this stage of implementation and it is likely that the objective will be achieved. Standard program management practices are sufficient.

Amber. Progress is somewhat less than expected at this stage of implementation 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 at this stage of implementation and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required

Indonesia requires strong, resilient and fair institutions to support sustained and inclusive growth. Over the past 20 years, it has undergone a process of far-reaching democratisation and decentralisation. Reforms have created an independent judiciary and introduced a wide range of civil and political rights for citizens. Despite this, services are not yet accessible to all and some minority groups continue to face discrimination. Natural disasters and climate change continue to pose risks to the safety and wellbeing of Indonesians and economic growth. While efforts to combat corruption continue, it remains a key inhibitor to good governance and development. With the third highest rates of gender inequality in Southeast Asia, Indonesia has not made significant progress in addressing gender inequality and women's empowerment, further constraining



economic growth.^{xxxix} Australia supports Indonesia to strengthen government institutions to support informed policy-making and improve the delivery of services. We work through local civil society groups to increase the voice of marginalised people (such as women, people with a disability and ethnic minorities) in decision-making to improve their access to services. We also help ensure that public policies are inclusive and informed by evidence. Australia is working with Indonesia to mitigate and manage external risks such as climate change, natural disasters, and financial shocks that could reverse hard won gains.

Outcome 7: Governments – national and local – deliver the services communities need

Outcome 7 has been rated green as we met all six milestones related to improving the effectiveness of village budget allocations, increasing education and health basic services, and helping people to obtain identity documents.

The root causes of poverty and inequality in Indonesia lie in unequal opportunities. Poor people have unequal access to basic health and education services and face difficulties in obtaining legal identity documents, which are a critical first step in accessing government services or opening a bank account. On average, only half of the women in the poorest 30 per cent of households in Indonesia have an ID card. Geography can also affect the opportunities available to people. For example, people in the rural province of Papua are around seven times more likely to be poor than those living in the metropolitan area of Jakarta. Providing services in rural areas is challenging as there is often limited infrastructure and capacity. Australia is helping local governments to improve policies and budget management, and invest in health and education.

In 2017-18, Australia's KOMPAK program assisted Indonesia's Ministry of Finance to implement revised formulas for the allocation of its Regional Incentive Fund, which governs the transfer of funds from the national government to district governments. In line with our expectations, funds are now better linked to local needs and key performance indicators. For example, revised formulas have enabled the West Aceh District Government to double its education funding, and health funding is now 19 times higher.

In 2017, LSP worked with 38,314 village facilitators and officials across 66 districts to prepare them to participate in the Healthy and Bright Generation Program (Generasi) and engage effectively in local government planning and budget processes. Of those trained, 51 per cent were women. Facilitators trained under the pilot advocated for health and education to be prioritised in village budgets. Because of these efforts, 8 out of the 66 pilot districts issued new rules on prioritising health and education in 2017. While this fell short of the target of 44 districts, there have been increases in health and education spending in a number of other pilot districts, which indicates that advocacy may be effective in supporting changes to spending even if the district regulations have not yet been issued.

In 2017, a long-term impact evaluation of Generasi was completed. This tracked nine years of implementation, covering maternal and child health and education targets, with over 1.8 million beneficiaries. The evaluation found Generasi had a positive impact on reducing malnutrition and improving education outcomes. However, the improvement to education outcomes were not observable in later years as the program's focus shifted away from education. Australia is helping to apply the lessons learned from Generasi through our engagement with the World Bank on Indonesia's efforts to reduce stunting.

Prior to 2018, Indonesia's formula for Village Fund transfers (valued at AUD9.3 billion) to 74,954 villages was not well matched to different village development needs. To help Indonesia capitalise on its significant investment, four Australian investments (KOMPAK, LSP, MAHKOTA and the *Knowledge Sector Initiative [KSI, AUD109 million; 2012-2022]*) provided advice and supported the development of new policy. This resulted in a new funding allocation formula that is better linked to poverty and development needs and enables a greater proportion of village funds to be provided to the poorest regions. However, more work is needed to improve bottom up planning and budgeting and to ensure that priorities are based on local needs. Our investment of approximately AUD290,000 has supported improvements that will influence AUD9.3 billion of Indonesian Government spending and help nearly half of Indonesia's population.

In 2017, in line with our expectations, MAHKOTA helped 710,615 poor people access local programs and services by funding technical experts to work with Indonesia's Ministry of Social Affairs to implement an integrated referral system in 70 districts; an expansion of 20 new districts since 2016.

In 2017-18, KOMPAK, *Australia-Indonesia Partnership for Gender Equality and Women's Empowerment* (MAMPU, AUD108.3 million; 2012-2020), MAHKOTA and *Program Peduli Phase 2* (Peduli, AUD35.4 million; 2014-2019) assisted Indonesians to access over 54,000 identity cards, including personal ID cards, marriage certificates and family cards, allowing poor people to access critical government services.

Through KOMPAK and MAHKOTA Australia is supporting the piloting of a child grant program in Papua province using Special Autonomy (Otsus) funds. The pilot will provide cash payments from the Indonesian Government of IDR200,000 (worth around AUD20) per month per child to the mothers of around 20,000 children under the age of four. The pilot was launched in November 2017; however, elections for the local governor have delayed its commencement, with implementation postponed until late 2018. Through MAHKOTA, we have developed monitoring and evaluation systems to track funding and are preparing

Australia Awards Indonesia – Promoting Women's Economic Empowerment



Australia Awards Alumni Ms Alfonsa Horeng promoting women's economic empowerment through Lepo Lorun.

Photo: DFAT

Australia Awards Indonesia (AAI, AUD166 million; 2014-2022) supports Indonesia's development by strengthening human capital and growing people-to-people links between our two countries. Many alumni have gone on to hold positions of influence and have made significant contributions to Indonesia's development. One such alumni is Ms Alfonsa Horeng - a tenun ikat weaver and entrepreneur from Flores. Alfonsa is the founder of Lepo Lorun, a women's weaving cooperative with over 823 members across 17 villages in Flores. Under AAI, Alfonsa participated in a Queensland University of Technology short course on *Women in Global Business - A Course for the Fashion and Textile Sector* where she learnt about the business and production aspects of the Australian fashion industry. AAI supports efforts to enhance gender equality in Indonesia. Women in Leadership seminars and networking events have enabled female alumni to share their knowledge and experience with other women on issues related to innovation, organisational change and empowerment.

agreements between the Indonesian Government and the Bank of Papua to ensure payments can be made once the pilot commences. At the same time, KOMPAK has been working to build the capacity of the provincial and district governments that will run the child grant pilot.


Australia commissioned an independent review of the KOMPAK local governance program in 2017 to assess its relevance, effectiveness and efficiency, to inform Australia's decision on whether to continue the program. The review found the program remains highly relevant to Australian and Indonesian priorities and is generally effective and efficient. The review recommended that we continue the program while sharpening its focus, improving monitoring and evaluation, strengthening its approach to gender and social inclusion and ensuring sustainability and innovation remain central to its objectives. It is anticipated that *KOMPAK Phase 2* will build on the success of current work and continue to influence policy change at the national and sub-national levels, including for the better use of government funding to deliver services and the scale up successful pilots.

Outcome 8: Women have a voice in decision making and access to better jobs and services

Outcome 8 has been rated green as all four milestones under this outcome have shown evidence of progress in line with our expectations, although to different degrees.

Gender inequality undermines prosperity, stability and security and often exacerbates other challenges such as poverty, weak governance and violent extremism.^{xi} Exclusion and social norms mean that women are less likely to participate in politics or the workforce. Despite making up almost half of Indonesia's population, only 17 per cent of members of parliament are women.^{xli} Only 51 per cent of Indonesian women over 15 are working compared to 80 per cent of men, well behind the average for the region.^{xlii}

In 2017-18, Australia supported strategic engagement between civil society organisations (CSOs) and the Indonesian Government, which has resulted in new policies that reflect the needs of women. Through, AIPJ2 we supported two CSOs (Indonesian Judicial Watch Society and MaPPI FH UI) and respected Australian partners, such as the Family Court of Australia, to work with Indonesia to develop a new Supreme



Court Regulation on women in contact with the law. The Regulation requires all judges to consider gender bias in adjudicating cases and includes guidance for judges on how they are expected to behave towards women facing court, especially in sensitive cases such as sexual assault. This is a positive step in reducing gender discrimination in the judiciary. We supported CSOs to analyse court decisions and present the findings to the court, using evidence to help change behaviours. We will continue to support adoption of the new regulation in the courts and among CSOs.

Australia is supporting Indonesia to regulate and provide services for its 9 million overseas migrant workers, almost 40 per cent of which are female domestic workers. In 2016, Indonesia formally adopted the 'safer migration' pilot – now known as DESMIGRATIF. Through our MAMPU program, Australia has continued to support our civil society partner Migrant CARE, and the Indonesian Government as it scales up DESMIGRATIF. In 2017, this program was expanded to 140 villages, up from 18 in 2016. The Government plans to continue its expansion of DESMIGRATIF from 140 to 400 migrant-sending villages by 2019. However, maintaining the quality of services as the program scales up will be a challenge. For example, the strong women's empowerment and community engagement approach that was part of the original pilot is not as well reflected in DESMIGRATIF. Drawing on an Australian-funded World Bank evaluation of the program, we will continue to work with Indonesia to learn from experience and strengthen service delivery.

In 2017-18, our regional program, *Investing in Women*, leveraged AUD1.2 million of seed funding loans from impact investors (investors committed to generating positive social and environmental impacts alongside competitive financial returns) to support three women's small to medium enterprises (WSMEs) in the food and agricultural sector. Compared to businesses run by men, WSMEs in Indonesia have very limited access to finance, making it hard for women to grow their businesses. By gaining access to seed funding loans, these WSMEs have been able to increase their customer base by 20-30 per cent, and have created more work opportunities for Indonesians by increasing the number of farmers and chefs they work with by 20 per cent. *Investing in Women* also provided training and mentoring in 'gender lens investing' for two impact investors which has led both firms to establish their own follow-up funds that will target WSMEs and SMEs that support women's empowerment. Early indications show investments are helping beneficiaries obtain better access to finance and mentoring and is leading to a greater level of business confidence and access to expanded networks, which are important for the sustainability of businesses.


We have made progress in strengthening women's voices through expanding and developing collective action at the local level. To date, our MAMPU program through its CSO partners supported 32,000 women in 1,300 local groups to participate in village development planning and budgeting.^{xliii} However, many groups continue to face challenges, particularly in getting non-infrastructure proposals approved for funding. Our KOMPAK program has also supported efforts to increase the involvement of women in village policy making by providing training to women on village budgeting and planning. As a result of this training, 1,610 women participated in policy-making forums, contributing to the development of 57 village and district regulations, and increased local budget allocations for health and education.

The increase in collective action has led to positive benefits for the women involved, including increased confidence.^{xliv} However, more attention is needed to build women's financial assets and resources, including income, savings and access to markets if increases in women's voice and collective action are to be sustained. DFAT has commissioned an Independent Strategic Review of MAMPU in 2018 to consider how the program will work going forward.

Outcome 9: Marginalised groups can advocate for and access basic services

Outcome 9 has been rated amber due to slower than expected progress on implementation of the disability law and modest increases in Indonesian Government funding to inclusive programs. However, we achieved strong results in line with expectations on supporting CSOs to counter radicalisation through public discourse.

People with a disability are among the most marginalised in Indonesia, with nearly 25 per cent of people with disability living in extreme poverty.^{xlv} Marginalised groups including religious minorities, LGBTI communities and indigenous peoples, generally lack access to economic and social opportunities and are more likely to be poor. Progressing reform in this sensitive area takes time and is not linear. Because of this, supporting marginalised groups to advocate for and access the services they need continues to be one of the most



challenging aspects of our development cooperation.

In 2017, our primary program, Peduli, focused on strengthened social inclusion in Indonesia by facilitating dialogue and positive policy actions. The program continued to create visibility of marginalised groups including people with disabilities, indigenous communities and religious minorities through supporting local level mapping and data collection. Peduli's partners established forums between marginalised groups, community and government officials to build trust, understanding and acceptance of these groups. Over the past year, Peduli CSO partners supported the enactment of 43 new sub-national government policies or regulations on child protection, human rights, inclusive planning and budgeting and inclusive education.

Our programs have made moderate progress in supporting the implementation of the disability law. Since the law's enactment, civil society and government have been grappling with the difficult challenge of drafting seven implementing regulations covering: legal services; social welfare; planning, implementation and evaluation; public services; financial costs and incentives; and employment. The Indonesian Government had set a target of April 2018 for the enactment of all regulations; however, progress has been slower than expected due to varying levels of commitment from stakeholders including key ministries. Disabled persons organisations (DPOs), supported by AIPJ2 and Peduli, have maintained a critical role in working with the Indonesian Government to draft selected regulations (legal services, social welfare, planning, public services). At the request of the Indonesian Ministry of Social Affairs, MAHKOTA provided assistance to ensure social protection systems could be used to support people with disabilities. These four regulations, drafted with strong civil society involvement and our support, have been completed. The remaining three regulations, led by the Ministries of Finance, Public Works and Bureaucratic Reform, have not been drafted, despite advocacy from DPOs. **To accelerate the process, a range of Australian development programs will engage their counterparts and offer support to the drafting process.**

Australia has continued to support people with disabilities to access services. Through Peduli we provided advice to governments in six provinces and seven districts to help with the implementation of the Disability Law. Peduli also supported 473 people with disabilities in these seven districts to access services following the receipt of legal identity documents. Through KOMPAK we supported 23 village governments to establish programs targeting the needs of people of disabilities, including accessible infrastructure. Through AIPJ2 we supported the development of an online platform (www.solider.id) to facilitate broader access to information on disability rights and services.

Our programs have succeeded in securing increased investment from Indonesia for inclusive programming. However, the amounts have been modest and limited to selected provinces and districts. Peduli's partners have leveraged AUD450,815 of subnational government funds in 22 districts to improve inclusion of marginalised groups in areas of women's empowerment, child protection, water and sanitation, social protection, development of small to medium enterprises, and basic education programs. For example, in Jambi province, Central Sumatra, an allocation of IDR75 million (approximately AUD7,000) was secured for 75 marginalised children of indigenous descent for nutritional assistance. **Peduli will continue to produce and share quality analysis of its experience and models, to help inform inclusive budgeting and policy-making.**

In 2017-18, MAMPU partners have advocated for increased funding for integrated frontline services for women victims of violence. As a result of their work, funding for integrated services in districts across South, and Southeast Sulawesi, Maluku and East Nusa Tenggara increased from IDR300 million to IDR2.26 billion (approximately AUD211,000). **MAMPU will strengthen coordination between partners on the Integrated case Handling System and promote broader use of the model by government.**

In 2017, AIPJ2 has supported CSOs that focussed on countering violent extremism (CVE) to publicise messages that counter radicalisation and promote pluralism. Australia supported partners, such as the local police, teachers, and religious organisations to promote alternative narratives to extreme ideology. Over the past year, AIPJ2 has established a network of CSOs including a women's CVE working group to focus on the role of women and families, and targeted interventions in vulnerable areas (Bima, Poso and Solo). In 2017, the National Agency for Combatting Terrorism invited AIPJ2 partners (The Wahid Foundation and C-Save) to participate in the development of Indonesia's first National Action Plan for Countering Violent Extremism. A draft of the plan was completed, including input from civil society, and is expected to be released in 2018.

Outcome 10: Climate change impacts are lessened through improved environmental governance

Outcome 10 has been rated amber due to slower than expected progress on the establishment of a national landscape coordination mechanism, and because changes to the program were requested by the Indonesian Government, so we were unable to achieve the milestone for the mobilisation of finance for peatland restoration.

Humanitarian Support to Indonesia



Australian Embassy Jakarta Officer surveys damage from earthquake in Pidie Jaya, Aceh Province Photo: DFAT

In 2017-18, Australia helped Indonesia to respond to the displacement of communities living near Mt Agung volcano in Bali through support for the Indonesian Red Cross to provide over 17,000 people with water, sanitation and health services, shelter and support for community engagement and livelihoods. We continued to work with Indonesia to strengthen their ability to respond to recurring small to medium scale disasters and large-scale humanitarian crises and helped Indonesia improve its disaster risk management and coordination at the national and sub-national level. Australia supported the development and use of tools and information, to assess the impact of natural disasters and help Indonesia to respond quickly when disasters strike. Geoscience Australia supported Indonesia to complete and release the National Seismic Hazard Map, which represents the most comprehensive understanding of Indonesia's earthquake hazard ever published. The information from this map will be used to strengthen the standard for building construction. In a new approach, Australia collaborated with Indonesia to respond to the Rohingya crisis. Australian and Indonesian officials coordinated assessments in Cox's Bazaar, Bangladesh, and Australian Embassy Jakarta officers helped to facilitate Indonesian engagement with local government, partners and the UN system. We also supported the joint deployment of Indonesian Red Cross and Australian Red Cross personnel to Bangladesh to provide much needed surge support in clinical and public health, and water, sanitation and hygiene. This partnership helped to develop the international response capacity of the Indonesian Red Cross. We will continue to collaborate with Indonesia to support regional disaster preparedness with the next phase of the Australia Indonesia Partnership in Disaster Risk Management, which is currently under design.


Natural disasters and climate change continue to pose a significant risk to Indonesia's growth and stability. Over 90 per cent of Indonesia's population is exposed to the risk of natural disasters, which are often made worse by climate change. Natural disasters can also take a toll on Indonesia's economy.

Indonesia spends USD300 to 500 million annually on post-disaster reconstruction, with recovery efforts often taking years to complete. In 2015, forest and land fires in Indonesia caused an economic loss of approximately USD16 billion (approximately AUD20 billion) and released over one billion tons of carbon dioxide into the atmosphere. Forest and land fires are a recurring problem in Indonesia, and a significant contributor to CO2 emissions.

In 2017, through the World Bank *Sustainable Landscape Management Multi-Donor Trust Fund (SLM-MDTF)*, supported by our *Indonesia-Australia Partnership for Environmental Governance Program*, (AUD10 million; 2015-2019), Australia worked with the Indonesian Government to launch the *Grand Design for Forest, Land and Plantation Fire Prevention*. This is a key policy document for guiding coordination of fire prevention and management.

Through the Environmental Governance Program, we have also promoted sustainable land-management practices, and strengthened governance and law enforcement. We supported the Ministry of Finance to issue a regulation to unlock almost AUD600 million from Indonesia's Reforestation Fund (Dana Reboisasi) to support forest and land fire prevention

and response activities. Through the Australian Centre for International Agricultural Research (ACIAR), we are supporting research into community fire management and peatland rehabilitation in Indonesia.



In 2017, the full detailed project design and research plan was finalised and agreed with the Indonesian Government, with research expected to start during 2018.

Strengthening coordination across different sectors is a major challenge for Indonesia's land management, including the prevention of fires and haze. In 2017-18, Australian-supported experts assisted efforts to establish a national coordination mechanism for sustainable land management, but progress towards establishing this mechanism was slow. There has, however been other notable work to improve coordination. For example, with SLM-MDTF support, the Coordinating Ministry for Economic Affairs established a high-level national coordination meeting to discuss progress and next steps for reducing fire and haze; and key Indonesian ministries and CSOs benefited from a learning exchange visit to the Everglades Restoration Initiative in the United States of America.

In 2017-18, Australia intended to support the mobilisation of finance for peatland restoration. However, due to changes in the focus and priority of work by the SLM-MDTF, at the direction of the Indonesian Government, this program will no longer cover peatland restoration. We will not report against this milestone in the future. **A mid-term review of the Environmental Governance Program is planned for the second half of 2018 to examine the efficiency, effectiveness and relevance of the program. This will contribute to planning for future Australian engagement and investment in the sector.**

Outcome 11: Public policies are informed by evidence

Outcome 11 has been rated green as there is strong evidence that in line with our milestones the use of evidence in policy-making has increased and research organisations and universities are playing a stronger role in public policy making.


High quality and well-informed government policy is critical for Indonesia to tackle increasingly complex development challenges. Since 2014, Indonesia has seen the rise of a political leadership more focused on data, information and analysis, in part stimulated by an increased focus on social media. This is driving a stronger focus on outcomes and increasing demand for evidence of what works to produce those outcomes.

In 2017-18, Australia continued to enable evidence-based policy making across a broad range of priority reform areas in line with our expectations. Notable examples include our longstanding support to TNP2K through MAHKOTA, which enabled piloting of different electronic (non-cash) disbursement mechanisms for social assistance programs. These pilots, combined with the Australian-funded analytical work under PKPR, provided a strong evidence base that was used to inform changes to the delivery of social assistance benefits through bank accounts.

Australian support through PKPR facilitated research on the protective role of labour attachés for migrant workers. This research played an important role in Indonesia's Ministry of Manpower scaling up the deployment of labour attachés posted to Indonesian embassies in Singapore, South Korea, Brunei Darussalam, Qatar, and Jordan in August 2017. PKPR shared research findings from its report, *Indonesia's Global Workers: Juggling Opportunities and Risks*, with key government counterparts, as well as responded to the Ministry of Manpower's requests to better understand how to protect migrant workers, including a policy brief on labour attachés.

In 2017-18, through KSI, we supported BAPPENAS to host the inaugural Indonesia Development Forum (IDF). The IDF brought together leaders in government, civil society, academia, and the private sector to discuss solutions to Indonesia's key development challenges, with a focus on inequality. The event was attended by 1500 participants including: the Indonesian Vice President, Jusuf Kalla; the Coordinating Minister for Economic Affairs, Darmin Nasution; and National Planning Minister, Bambang Brodjonegoro. President Widodo addressed the forum via video message expressing the hope that the IDF would be a vehicle to address inequality. The IDF provided a valuable opportunity to demonstrate the breadth and innovation of Australia's economic partnership with Indonesia, with KSI playing a role as convener for development practitioners and policy makers. Australia also communicated policy messages at the IDF on the importance of economic reform, trade, and open and competitive markets as a basis for growth and poverty reduction.

Australian support has enabled research organisations to play a stronger role in public policy making. Through KSI, we have increased the capacity of 16 selected Policy Research Institutes, to contribute to the Indonesian



Government's policy reform agenda. Over the last year, all have made demonstrable improvements in their ability to deliver higher quality policy research, with five of the 16 having reached standards comparable to internationally-recognised research institutes; ten having improved plans for mobilising additional funding; and all now having clearer strategic plans in place and stronger management systems.^{xlv} To date 222 Indonesian Government officials have received policy analyst training. As of August 2018, 163 of these were actively employed as policy analysts within the Indonesian Government.

Following advocacy over several years by KSI's partners, in 2018 President Widodo signed a revised procurement regulation which allows non-profit, non-government think tanks and universities to win Indonesian Government policy research contracts. Previously, the Indonesian Government could only grant research contracts to commercial entities or individuals. The changes mean that policy makers can now access a wider range of research partners, increasing the potential sources of evidence and the range of viewpoints. The regulation also provides for multi-year project funding, which opens up the market for more substantial policy research that requires more than 12 months to deliver. This new source of domestic funding will be important for the financial sustainability of many resource-starved research organisations in Indonesia. While this reform represents a significant step forward for Indonesia's research sector, further changes in the policies and practices of both research organisations and policymakers will be needed if the reform is to be effective. As with all new regulatory frameworks, significant work is still required to ensure its effective implementation. In 2018-19, KSI will continue to work with Indonesia on key reforms in the knowledge sector, including support for changes to relevant laws and improving government procurement and use of research for public policy.

MUTUAL OBLIGATIONS


Australia's support as agreed in the Aid Investment Plan (2015/16 – 2018/19) is closely aligned with Indonesia's own development agenda as set out in Indonesia's five-year development plan (RPJMN 2015-2019). The Indonesian Government and our development partners showed continued commitment to achieving agreed development goals through 2017-18. The last annual Australia Indonesia Senior Officials Meeting (SOM) held in December 2017 reinforced our maturing economic partnership. The Indonesian Government expressed their appreciation for Australian innovation; our willingness to pilot new approaches which, when proved successful, could be scaled-up through Indonesian Government systems and the private sector. Indonesia's representatives confirmed they valued Australia providing Indonesian decision-makers with evidence, expert advice, and new ideas and partners to support Indonesia deliver on its development priorities, using its own resources effectively.

Indonesia is developing its next five-year development plan (RPJMN 2020-2024) which will form the anchor for the next bilateral development agreement between Indonesia and Australia. Indonesia's goals will shape Australia's priorities in Indonesia, with corresponding performance benchmarks and mutual obligations.

PROGRAM QUALITY AND PARTNER PERFORMANCE

Overview

Australia measures its aid program performance against a Performance Assessment Framework (PAF), which assesses progress towards the long-term goals of the Australia-Indonesia development partnership. The PAF sets out 11 outcomes against our AIP objectives along with annual milestones and indicators. The PAF also includes a twelfth outcome focused on aid effectiveness with more specific milestones focused on preparations towards a new Aid Investment Plan and the application of the PAF in program decision-making. We have updated our PAF milestones for 2018-19 to respond to the progress and ambition of our programs and are in the process of streamlining our indicators. We use selected annual milestones as the program benchmarks detailed at Annex B. The PAF is a useful tool for monitoring the overall performance of the aid program in delivering on the partnership's strategic objectives. Partners have found that the process of collecting data is providing them with useful information, which is being used to inform the management of programs. We will make further revisions to the PAF in 2018-19 to minimise the impost on program teams and to ensure it continues to provide the most useful information for strategic decision-making.



We published three evaluations that were completed in 2017-18 (see Annex C) and drew on evidence and recommendations to inform program planning, to inform the ratings in this APPR, and for scoring in our Aid Quality Checks (see below). Evaluation findings and recommendations contributed to program planning – for example, to strengthen implementation of the KOMPAK program; and to inform future infrastructure investments delivered in partnership with multilateral development banks. We also continued a strong commitment to improving monitoring and evaluation systems and practices. To improve efficiency and better target our efforts, we continued to consolidate the program, reducing the number of investments to 50, compared to 86 in 2013 (against a target of 68).

Gender equality remains an important focus of our work in Indonesia, and we continue to implement the Indonesia program **Gender Action Plan** (GAP). We exceeded the target set out in Making Performance Count, with 83 per cent of programs rated effective in considering gender equality (against a target of 80). There has been a slight reduction (5.41 per cent) in this rating based on the 2016-17 score. This is largely due to the inclusion of programs with poorer performance on gender that had not previously undergone the AQC process and that final ACQs had lower gender ratings as these took into account performance across the life of the program including earlier poorer performance on gender. A visit from Australia's Ambassador for Women and Girls, Dr Sharman Stone, highlighted opportunities to further strengthen Australia's partnership with Indonesia on gender equality issues, including women's economic empowerment, violence against women, women in parliament, health and education, as well as child marriage, protection of migrant workers, and rights of transgender individuals.

Aid Quality Checks (AQCs)

As part of the annual aid program performance cycle, this year we completed 35 AQCs to assess aid investment performance against the Department of Foreign Affairs and Trade's (DFAT) six quality criteria (full ratings are at Annex D.) The AQC enables DFAT program teams to identify what is working and what needs improvement in their investments. A senior DFAT officer from the Contracting and Aid Management Division moderated the assessment to ensure accurate and objective ratings based on solid supporting evidence. Gender advisors also reviewed AQCs to ensure gender ratings were accurate and credible, based on clear evidence. Overall, programs were rated as effective, efficient in delivering sustainable results, and aligned with both Australian and Indonesian Governments' priorities. Greater efforts to improve gender equality and monitoring and evaluation systems could further strengthen program effectiveness.

This year we assessed two investments as requiring improvement (Red Meat Cattle Partnership and the Indobeef Project). Plans to address program issues will be developed with key stakeholders and monitored by senior management. In 2018-19, a renewed effort will be made to address issues that have slowed the progress of these programs. Key steps to getting the programs on track include improving Government-to-Government coordination mechanisms and addressing other implementation issues such as subsidiary agreements, aligning risk management approaches and updating the scope of monitoring and evaluation.

Performance of key delivery partners

DFAT implementing partners continue to perform effectively in delivering results. The majority of our ODA in Indonesia continues to be delivered through commercial suppliers, and a significant amount is delivered through international and multilateral organisations. This year we completed 30 Partner Performance Assessments (PPAs) including 16 with commercial suppliers, 11 with multilateral organisations, two with university and research institutions, and one non-governmental organisation.

Performance of commercial suppliers remains strong overall, with management of fifteen out of sixteen major agreements rated satisfactory. The assessments found that contracts are being delivered effectively, represent good value for money, manage risk well, and engage qualified personnel. Areas for continual improvement include stronger evidence of value for money and closer oversight of risks and safeguard requirements. The World Bank and the Asian Development Bank remain important partners for Australia, including for their ability to support the preparation of large-scale infrastructure and provide Indonesian authorities with access to knowledge on global best practice. The World Bank continues to perform well and high-level consultations with DFAT and Indonesia ensure that current development priorities are reflected in their work.



Local civil society, faith-based and grassroots organisations are important stakeholders in Indonesia. Australia's support to strengthen Indonesian CSOs is mostly managed by commercial suppliers, who provide good oversight and accountability for grants to Indonesian organisations at the national and community level. In total, Australia directly supported 54 national Indonesian NGO partners this year and indirectly supported a further 162 community organisations. Australia also works with international organisations, research institutions and universities such as The Asia Foundation, the Jamal Poverty Action Lab (J-PAL), and The University of Melbourne to promote innovation and strengthen Indonesia's evidence-based policy making. The performance of these partners was also rated satisfactory. Twenty-three Australian Government agencies collaborated with their Indonesian counterparts under our programs to share lessons and experience.

MANAGEMENT ACTIONS

The following management actions respond to the amber ratings for outcomes two, six and nine

1. To improve performance against **outcome two** (infrastructure is better planned, delivered and maintained) in 2018-19 we have already negotiated a performance clause making future Australia support PRIM pilot dependent on the Indonesian Government providing a budget allocation for the rollout of the national HJD program in 2019.
2. To improve performance against **outcome nine** (marginalised groups can advocate for and access basic services), we will continue to support CSOs to advocate the implementation of Indonesia's Disability Law at national and local level and improve access to services for other marginalised groups. This will include: continuing work with relevant government agencies to finalise the disability regulations; supporting local governments to draft and implement accessible and inclusive services; and monitoring access to services for marginalised groups. To address specific challenges in implementing the disability law we will involve a broader range of Australian development programs to influence agencies with responsibility for regulations.
3. To improve performance against **outcome ten** (climate change impacts are lessened through improved environmental governance) we will undertake a mid-term review of the Environmental Governance Program in the second half of 2018 to examine the efficiency and effectiveness of the program and its management. SLM-MDTF will also work with an established group of senior Indonesian Government officials to provide a more structured coordination role on landscape management. Australia will no longer report against the milestone for mobilising finance for peatland restoration.

We have also identified three areas requiring management action across the broader country program:

4. **Strategy:** 2018-19 marks the preparation of our next Aid Investment Plan. We will continue to engage closely with the Indonesian Government on how best to position Australia's assistance going forward, drawing on results and lessons from our existing portfolio of investments. We will also look at how to adjust the program to respond to Indonesia's changing needs, informed by the development of Indonesia's next medium-term development plan and Australia's own White Paper priorities.
5. **Gender equality:** Despite a slight dip in performance this year, most programs maintained their satisfactory ratings on gender equality. To ensure we continue to achieve our target and that all programs make strategic and effective contributions to gender equality and women's empowerment, we will provide staff with ongoing training drawing on expertise from within the Gender Equality Branch. We will review our flagship gender equality program, MAMPU, and we will continue to share lessons and good practice models to assist underperforming investments to achieve gender equality outcomes.
6. **Performance:** A recent internal review of program management in the Indonesia program recommended adjusting the performance assessment system to ensure it remains appropriate and manageable within current resources. We will continue to refine the performance system to ensure it focuses on providing timely and accurate information to inform program management.

RISKS

Table 3: Management of Key Risks to Achieving Objectives

Key risks	What actions were taken to manage the risks over the past year?	What further actions will be taken to manage the risks in the coming year?	Risk Rating (low, medium, high, very high)	Are these in in Post's Risk Register (Yes/No)*
Australians perceive the Indonesia aid program as ineffective, not relevant, poorly targeted or poor value for money	We implemented a robust Performance Assessment Framework to monitor program performance and ensured senior management oversight of program strategy, performance and communication	We will explore innovative approaches to communicate the work and value add of the aid program Through the AIP process we will examine program spread and fragmentation	MEDIUM	YES
Budget uncertainty reduces Indonesia's trust in the partnership and damages Australia's reputation	We work closely with Indonesian officials in monitoring program strategy and performance through annual Senior Officials Meeting (SOM) to reinforce our economic and development partnership	We will follow up the SOM outcomes and support the preparation of Indonesia's medium term development plan	MEDIUM	YES
Lack of trust or misunderstandings in our relationships with key Indonesian Government partners	Our program management complies with Indonesian Government requirements	We will use the AIP process to ensure our programs continue to align with partnership priorities.		
Aid program partners, beneficiaries and Australia's relationship with Indonesia may be negatively targeted in Indonesia's upcoming election	We adopted a careful communication and branding strategy where our work with Indonesian partners could be politically sensitive We closely monitor Indonesia's political situation and adapt approaches in light of political changes and potential threats	We will ensure staff and partners are aware that branding needs to be managed carefully in politically sensitive programs We will continue to work with Indonesian Ministries to ensure there is effective governance and a shared sense of ownership of programs	MEDIUM	YES
Poor management or staffing constraints result in a failure to comply with standards and safeguards which puts program outcomes at risk	We provided training, regular communication, policy guidance and support for staff and implementing partners (including fraud control, financial management, child protection, gender and disability) We conducted compliance audits and spot checks of program spending	We will continue monitoring safeguards, fraud risks and the effectiveness of control measures and support staff and partners to strengthen contract management	HIGH	YES

ANNEX A- PROGRESS IN ADDRESSING MANAGEMENT ACTIONS

Management actions identified in 2016-17 APPR	Rating	Progress made in 2017-18
1. To improve performance against outcome three (more jobs and higher incomes, especially for poor households) in 2017-18 we will support Indonesia's efforts to attract foreign investment and reduce barriers to business and trade by making it easier to register a business and obtain construction permits. Through AIP-Rural we plan to enable 124,000 farm households to access markets and increase their incomes by at least 30 per cent. We have reviewed our Red Meat and Cattle Partnership and will make a number of recommended changes to ensure it remains relevant.	Achieved	AIPEG/PROSPERA supported the Indonesian government to adopt reforms that improve the ease of doing business including making licence renewals cheaper, reducing permits required in Jakarta, improving minority investor protection and introducing electronic courts. AIP-Rural exceeded its target, supporting 150,179 farm households to increase their income by 191 per cent. New training programs are underway as part of the Red Meat and Cattle Partnership in the areas of logistics, processing and commercial cattle breeding. The development of a communication strategy has commenced to improve communication among Indonesian stakeholders. Program Board Membership for non-government members, on both Australian and Indonesian side has been reconfigured to support gender balance and a broader cross section of representatives from red meat and cattle business and investment community. Commercial Viability Assessments of three cattle breeding sites in Indonesia will be undertaken to assess their sustainability in 2018-19.
2. To improve performance in 2017-18 for outcome six (children have improved literacy and numeracy) INOVASI will take on two additional pilot provinces and develop models for teaching foundational literacy and numeracy, formative assessment and inclusive education which can be scaled up by government. We will also encourage the Indonesian Government (including local governments) to allocate funds to help improve learning outcomes, and expand the evaluation of KIAT Guru – a pilot program designed to improve education quality in remote areas by linking teacher performance to incentive payments – from 10 to 33 sub-districts.	Achieved	INOVASI now has 15 pilots underway across twelve districts in three additional provinces of NTB, NTT (Sumba) and North Kalimantan, with evidence emerging of what policy and practice changes work to improve student learning outcomes in Indonesian primary schools and in religious schools (madrasah). The KIAT Guru pilot was successfully implemented and evaluated in 33 sub-districts. The five pilot district governments will continue implementation throughout 2018. UNICEF and its implementing partners continue to strengthen the capacity of local governments by facilitating the development of local regulations to allocate a meaningful percentage of Local Autonomy Policy funds for the literacy programme.
3. To improve performance in 2017-18 against outcome nine (marginalised groups can advocate for and access basic services), we will advance Indonesia's disability agenda by supporting the National Human Rights Action Plan, which includes disability rights. We will continue to provide funding to disabled persons organisations working directly with government to implement the Disability Law and to make sure that progress against its implementation can be measured. Collaborate through our Peduli and AIPJ Phase 2 programs to support community-based initiatives as well as national and sub-national efforts to implement the Law.	Partly Achieved	AIPJ2 provided technical assistance to the National Human Rights Secretariat to improve Indonesia's Human Rights Action Plan for 2018 to 2019. The plan was completed in November 2017, following extensive whole-of-government consultation. As a result of our advisory input, over 30 per cent of the actions specified in the plan related to disability rights and women's empowerment. Specific measures in the revised plan include new indicators focused on prevention of violence against women and the implementation of the disability law. Peduli and AIPJ2 continued to support Disabled Persons Organisations (DPOs) working on regulations to realise the disability law. While drafting progress was slower than anticipated, regulations with civil society input have been completed. Peduli's DPO partners continue to socialise the requirements of the Disability Law with local government partners and community groups at the sub-national level. While AIPJ2's DPO partners continue to advocate accessible justice services in selected provinces.
4. Strategy: Over the next year, we will engage closely with the Indonesian Government on the implementation of Indonesia's medium-term development plan and Australia's Aid Investment Plan. We will hold a Senior Officials' Meeting with the Indonesian Government, and will analyse potential policy priorities for the partnership over the medium term.	Achieved	We are providing support to a range of sector studies as input for the RPJMN as well as support through KSI to Bappenas to coordinate the process. A Senior Officials Meeting was held in December 2017 along with a joint DFAT-Bappenas field visit to a PRISMA site in March 2018.
5. Performance: We will continue to improve our approach to program performance management and assessment. We will do	Achieved	Annual workshops with partners about the Performance Assessment Framework were held in February with a focus on sharing lessons between programs. We piloted programs providing joint reporting on significant policy

this by ensuring that senior management provides oversight of joined-up strategies that enable our programs work together, and leverage off each other, to achieve our annual program milestones.

6. Gender equality: Strong efforts will be required to maintain our performance on gender equality and the departmental target of 80 per cent. This will require ongoing training and messaging to staff about the importance of embedding gender equality in programs and in our policy engagement. We will focus on investments that identified through the AQC process as underperforming on gender equality, and we will undertake a third review of the GAP in May-June 2018 to further strengthen performance.

7. From pilots to impact at scale: We will consider experience across our programs in moving from policy reforms and pilots to implementation at scale, and share lessons on what works (and what does not). We will focus on lessons from successful pilots in local-level service delivery, empowering women and engaging marginalised groups. We will continue to follow through on our policy engagements to ensure this work leads not just to new laws or regulations, but to tangible improvements in people's lives.






changes to help enhance program collaboration and capture more holistic stories of Australian aid achievements.

We continue to implement plans and to monitor programs that are underperforming on gender equality. We have delivered tailored training for DFAT and program staff and shared relevant information, resource links and networking opportunities through our Gender Focal Points. We are currently reviewing the 2017 GAP and developing fresh commitments to be agreed by Senior Management at post. The revised GAP will include recommendations to sustain and strengthen gender outcomes from our programming including: strategic engagement with Gender Equality Branch for technical advice throughout the year; developing a strategic approach to achieve better performance through our investments with Multilateral Development Banks; and encouraging stronger collaboration of our development programs through the existing Embassy Gender Network. We will also continue to provide access to tailored training on gender equality and to develop a single online source on the Embassy intranet page for relevant information and resources.

Pilots-to-scale was a major theme for the 2017 Senior Officials Meeting. Following this, we developed a pilot assessment tool that we are testing and have commenced a study on current piloting practices in a selection of our programs. We have also modified our performance assessment framework to more effectively track implementation of policy changes over time.

Note:

-  Achieved. Significant progress has been made in addressing the issue
-  Partly achieved. Some progress has been made in addressing the issue, but the issue has not been resolved
-  Not achieved. Progress in addressing the issue has been significantly below expectations

ANNEX B – PERFORMANCE BENCHMARKS

Progress towards Performance Benchmarks in 2017-18

AIP Objective	Performance Benchmark	Rating	Progress in 2017-18
Objective 1: Effective Economic Institutions and Infrastructure	AUD600 million in additional financing is leveraged.	Achieved	We leveraged over AUD3.6 billion in additional funding for development priorities, exceeding the target amount of AUD600 million. 'Leverage' refers to additional sources of financing, external to the Australian Government, that were directed towards more effective infrastructure as a result of Australian-funded technical advice, project design, loan preparation, or pilots scaled up by the Indonesian Government.
	Further reforms are adopted to make it easier to do business, including by local governments and courts.	Achieved	AIPEG/PROSPERA supported the Indonesian government to adopt reforms that improve the ease of doing business including making licence renewals cheaper, reducing permits required in Jakarta, improving minority investor protection and introducing electronic courts. Indonesia climbed 19 places in the 2018 Ease of Doing Business Ranking (from 91 to 72).
	124,000 cumulative farm households can access markets and increase their incomes by 30 per cent.	Achieved	AIP-Rural has supported 150,179 farm households to increase their income by 191 per cent, exceeding the target.
Objective 2: Human Development for a Productive and Healthy Society	More poor people receive social assistance payments through bank accounts.	Achieved	Australian aid programs supported the Indonesian Government to implement a presidential regulation on transferring social assistance payments through bank accounts and in particular, the implementation of the Non-Cash Food Assistance Program and the non-cash version of its conditional cash transfer program. By the end of 2017, there were 1.2 million and 6 million beneficiaries (respectively) receiving their social assistance payments through bank accounts.
	200,000 women and men have improved access to safe water and basic sanitation.	Achieved	451,812 men and women have improved access to safe water and sanitation directly due to DFAT's result-based financing approach as employed by PAMSIMAS, Water and Sanitation Hibah and SAIIG.
	Indonesia allocates budget to activities supporting improved learning outcomes.	Achieved	The Indonesia Government is also allocating budget to activities supporting improved learning outcomes. Australian investments have leveraged over AUD7 million in additional financing from the Indonesian Government, principally for the KIAT Guru and INOVASI pilots, as well as funding leveraged by UNICEF for addressing teacher absenteeism in Papua and West Papua provinces. District governments have also increased budgetary allocations for education.

**Objective 3:
An Inclusive Society
Through Effective
Governance**

More people can access identity documents enabling them to access services

Achieved

Australian investments directly assisted Indonesians to access over 54,000 identity cards, including personal ID cards, marriage certificates, birth certificates and family cards. Access to identity documents allows poor households to access many critical services, including social assistance programs and financial/banking services.

More women in target locations are actively involved in village-level decision-making

Achieved

Australian programs have facilitated engagement between civil society organisations and the government that has contributed to policies that better reflect the needs of women, such as improvements to how courts treat women. Our support has also facilitated the involvement of more than 30,000 women in government decision-making which has led to improved policies.

Note:

- Achieved. Significant progress has been made and the performance benchmark was achieved
- Partly achieved. Some progress has been made towards achieving the performance benchmark, but progress was less than anticipated.
- Not achieved. Progress towards the performance benchmark has been significantly below expectations

Performance Benchmarks for remainder of Aid Investment Plan

For the remainder of the Aid Investment Plan, the program has set a comprehensive range of performance benchmarks in the Performance Assessment Framework (see below).

Aid objective	Performance Benchmark 2018-19
Objective 1: Effective Economic Institutions and Infrastructure	AUD 1 billion dollars in additional financing is leveraged.
	300,000 cumulative farm households can access markets and increase their incomes by 30 per cent.
Objective 2: Human Development for a Productive and Healthy Society	150 district/city governments (60 new) identify and target excluded women and men for potential inclusion in social programs.
	10,000 people with disabilities in rural areas benefit from disability inclusive-designed water and sanitation infrastructure.
	Literacy and numeracy scores increase for girls and boys in target communities relative to baseline.
Objective 3: An Inclusive Society Through Effective Governance	Villages in target areas allocate at least 20 per cent of Village Funds for basic services.
	More than 10,000 women and men receive legal identity documents through DFAT-funded approaches and models.
	A majority of directly supported civil society organisations and networks have demonstrated improved capacity to increase women's participation in decision-making processes.

ANNEX C- EVALUATION PLANNING

List of evaluations completed in the reporting period

Investment number and name	Name of evaluation	Date completed	Date Evaluation report Uploaded into AidWorks	Date Management response uploaded into AidWorks	Published on website
INL082 Multilateral Development Bank Infrastructure Assistance Project	MDB-IAP Independent evaluation	February 2018	March 2018	March 2018	April 2018
INJ149 Water Sanitation Hibah Phase 2	Water and Sanitation Hibah Phase 2 independent evaluation	January 2018	March 2018	March 2018	February 2018
INL631 Governance for Growth (KOMPAK)	KOMPAK Independent Progress Review	February 2018	March 2018	March 2018	May 2018
INI506 Local Solutions to Poverty	Healthy and Smart Generation (GENERASI) Wave IV Impact Evaluation (Partner-led)	June 2018	August 2018	N/A	June 2018

List of program prioritised evaluations planned for the next 12 months

Evaluation title	Investment number and name (if applicable)	Date – planned commencement (month/year)	Date – planned completion (month/year)	Purpose of evaluation	Evaluation type
MAMPU Independent Strategic Review	INL923 AIP Gender Equality & Women Empowerment (MAMPU) Phase 2	July 2018	March 2019	Identify opportunities and challenges for future investment in gender equality and women's empowerment	DFAT led
INOVASI/TASS Independent Review	INL512 Innovation for Indonesia's School Children (INOVASI) INL672 Education Technical Assistance Program (TASS)	November 2018	May 2019	Assess program performance of phase 1 and provide recommendations to inform strategy and approach for phase 2	DFAT-led
AIP Rural End of Program Review	INJ498 - AIP Rural Economic Development Program	November 2018	January 2019	Assess program performance from Phase 1 to inform the strategy for future activities	DFAT led
Australia Indonesia Partnership for Justice Program Phase II Mid Term Review	INL470 – Australia Indonesia Partnership for Justice II	June 2019	December 2019	Independent Progress Review to monitor the investment mid-way through program	DFAT led

ANNEX D- AID QUALITY CHECK RATINGS

AQC RATINGS

AQC investment performance over the previous 12 months and where available last year's AQC ratings are included.

No	Investment Name	Approved budget and duration	AQC Year	Effectiveness	Efficiency	Relevance	Gender equality	M&E	Sustainability
1	INL873 - Towards a Strong and Prosperous Indonesian Society (MAHKOTA)	\$62,768,000	2018 AQC	5	5	6	4	4	4
		2015 - 2019	2017 AQC	5	4	5	4	5	4
2	INL923 - Empowering Indonesian Women for Poverty Reduction (MAMPU Phase II)	\$51,900,000	2018 AQC	5	5	6	5	5	4
		2016 - 2020	2017 AQC	5	4	6	5	6	5
3	INM040 - Support to Marginalised Group (PEDULI Phase II)	\$35,400,000	2018 AQC	5	4	6	4	4	4
		2014 - 2019	2017 AQC	5	3	6	4	3	4
4	INL631 - Governance for Growth (KOMPAK)	\$96,205,794	2018 AQC	4	5	5	5	3	5
		2015 - 2018	2017 AQC	4	4	5	5	4	4
5	INK640 - AIP 4: The Knowledge Sector Initiative (KSI)	\$109,313,361	2018 AQC	4	4	6	4	4	5
		2012 - 2022	2017 AQC	4	4	5	4	4	4
6	INJ498 - AIP Rural Economic Development Program	\$112,000,000	2018 AQC	5	5	6	5	6	5
		2010 - 2019	2017 AQC	5	4	6	5	6	5
7	INL931 - World Bank TF - Teaching and Education	\$9,000,000	2018 AQC	4	4	5	4	4	4

		2016- 2019	2017 AQC	4	4	5	4	5	5
8	INL131 - Australia Awards in Indonesia (AAI)	\$166,021,548	2018 AQC	5	5	6	5	5	5
		2014 – 2022	2017 AQC	5	5	6	5	5	5
9	INJ247 - Scholarships Jakarta (ADS) Intake 2011	\$159,005,026	2018 AQC	5	5	6	5	5	5
		2010 – 2018	2017 AQC	5	5	6	5	5	5
10	INL086 - UNICEF Papua Rural & Remote Education	\$16,811,364	2018 AQC	5	4	5	4	5	4
		2014 - 2018	2017 AQC	4	4	5	4	5	4
11	INL808 - AIP-Emerging Infectious Diseases 2015-2018	\$9,900,000	2018 AQC	5	5	5	4	4	5
		2015 - 2018	2017 AQC	4	4	5	4	4	4
12	INL512 - Innovation for Indonesia's School Children (INOVASI)	\$49,000,000	2018 AQC	4	5	5	4	4	5
		2016 - 2019	2017 AQC	4	4	5	4	4	5
13	INJ859 - Building Relation Through Intercultural Dialogue (BRIDGE III)	\$7,204,294	2018 AQC	5	4	5	4	4	4
		2011 - 2018	2017 AQC	4	4	4	4	4	4
14	INK993 - PAMSIMAS 2	\$49,950,000	2018 AQC	5	5	5	4	5	5
		2013 - 2018	2017 AQC	6	5	5	4	4	5
15	INM115 - PAMSIMAS 3	\$20,100,000	2018 AQC	6	5	5	4	5	5
		2016 - 2022	2017 AQC	6	5	5	4	4	5
16	INJ149 - Water and Sanitation Hibah Phase 2	\$119,656,290	2018 AQC	4	4	5	3	3	5
		2009 - 2019	2017 AQC	4	4	5	4	4	4
17	ING406 - AIPRD: EINRIP – Implementation, Planning & Support Facility	\$38,877,763	2018 AQC	5	5	5	4	5	5

		2005 - 2018	2017 AQC	5	5	6	4	6	5
18	INK886 - Infrastructure Grants Municipal Sanitation (sAIG)	\$40,000,250	2018 AQC	4	3	4	3	3	4
		2012 - 2019	2017 AQC	3	2	3	4	4	4
19	INL082 - MDB Infrastructure Assistance Program (MDB-IAP)	\$60,500,656	2018 AQC	5	5	5	3	4	4
		2013 - 2019	2017 AQC	3	4	4	3	3	4
20	INL337 - Provincial Road Improvement & Maintenance (PRIM)	\$37,730,067	2018 AQC	5	4	5	4	4	4
		2014 - 2021	2017 AQC	5	4	5	4	4	4
21	INJ689 - Government Partnership Fund Phase (GPF) II	\$74,847,676	2018 AQC	4	4	5	3	4	5
		2011 - 2018	2017 AQC	4	5	5	3	4	5
22	INK331 - Support Enhance Macro Economy & Fiscal Policy Analysis	\$7,082,601	2018 AQC	4	4	5	4	3	4
		2011 - 2020	2017 AQC	4	4	4	4	3	4
23	INL486 - Red Meat and Cattle Partnership (RMCP)	\$50,000,000	2018 AQC	3	3	4	4	4	4
		2013 - 2024	2017 AQC	4	3	3	4	4	4
24	INK550 - Indobeef Project	\$13,005,000	2018 AQC	3	3	4	4	4	4
		2012 - 2021	2017 AQC	3	3	4	4	4	4
25	INI035 - The Indonesian Project (ANU)	\$12,555,383	2018 AQC	5	5	5	4	4	4
		2008 - 2020	2017 AQC	4	5	5	4	4	4
26	INL470 - Australia Indonesia Partnership for Justice (AIPJ II)	\$40,000,000	2018 AQC	5	5	5	5	4	4
		2017 - 2022	2017 AQC	N/A	N/A	N/A	N/A	N/A	N/A
27	INL952 - Indonesia Infrastructure Program (KIAT) Phase 1	\$146,174,916	2018 AQC	4	3	5	5	4	4

		2016 – 2021	2017 AQC	N/A	N/A	N/A	N/A	N/A	N/A
28	INL947 – Environmental Governance	\$10,028,221	2018 AQC	3	4	5	4	4	3
		2015 – 2019	2017 AQC	N/A	N/A	N/A	N/A	N/A	N/A
29	INL548 – Micronutrient	\$3,727,560	2018 AQC	4	4	5	5	4	5
		2015 – 2020	2017 AQC	N/A	N/A	N/A	N/A	N/A	N/A
30	INM001 – Partnership for Knowledge-based Poverty Reduction (PKPR)	\$28,400,000	2018 AQC	4	4	5	3	3	5
		2010 – 2019	2017 AQC	N/A	N/A	N/A	N/A	N/A	N/A
31	INI506 – Local Solutions to Poverty (LSP)	\$191,500,000	2018 AQC	4	4	5	3	3	5
		2008 – 2020	2017 AQC	N/A	N/A	N/A	N/A	N/A	N/A
32	INL672 – Education Technical Assistance Program – Indonesia (TASS)	\$11,980,000	2018 AQC	5	4	5	4	4	4
		2017 – 2020	2017 AQC	N/A	N/A	N/A	N/A	N/A	N/A

Definitions of rating scale:

Satisfactory (4, 5 and 6)

6 = Very good; satisfies criteria in all areas. 5 = Good; satisfies criteria in almost all areas.

4 = Adequate; on balance, satisfies criteria; does not fail in any major area.

Less than satisfactory (1, 2 and 3)

3 = Less than adequate; on balance does not satisfy criteria and/or fails in at least one major area.

2 = Poor; does not satisfy criteria in major areas. 1 = Very poor; does not satisfy criteria in many major area.

FAQC RATINGS

Final AQC's assess performance over the lifetime of the investment.

No	Investment Name	Approved budget and duration	AQC Year	Overall Rating	Effectiveness	Efficiency	Relevance	Gender equality	M&E	Sustainability
1	INL812 – Disaster Response and Preparedness in Indonesia	\$17,830,141 2015 - 2018	2018 FAQC	5	5	4	4	4	5	4
2	INK532 – Institutional Design Capacity Building Initiative	\$6,450,660 2012 - 2018	2018 FAQC	5	5	5	5	4	4	4
3	INH848 – AIP for Economic Governance (AIPEG)	\$112,089,620 2008 - 2018	2018 FAQC	5	5	4	5	4	4	5

Definitions of rating scale:

Satisfactory (4, 5 and 6)

6 = Very good; satisfies criteria in all areas. 5 = Good; satisfies criteria in almost all areas.

4 = Adequate; on balance, satisfies criteria; does not fail in any major area.

Less than satisfactory (1, 2 and 3)

3 = Less than adequate; on balance does not satisfy criteria and/or fails in at least one major area.

2 = Poor; does not satisfy criteria in major areas. 1 = Very poor; does not satisfy criteria in many major area.

ANNEX E – PERFORMANCE ASSESSMENT FRAMEWORK

Objective / Outcome	Milestones 2016/17	Milestones 2017/18	Milestones 2018/19
1. Stronger economic institutions	<p>The financial technology (FINTECH) sector has a regulatory framework to sustain growth and protect consumers.</p> <p>Indonesia implements multi-year budget planning.</p> <p>State assets are better managed and contribute to revenue.</p>	<p>Indonesia improves budget transparency giving citizens a greater say in resource allocations.</p> <p>Better supervision of conglomerates decreases the risk of financial system instability.</p>	<p>More public resources are available to infrastructure and socio-economic outcomes through a year-on-year decrease in money spent on administration.</p>
2. Infrastructure is better planned, delivered and maintained	<p>Contribute to improvements in public transportation in Jakarta.</p> <p>Improved budget allocation to road maintenance. Improved infrastructure asset management.</p> <p>Increased private sector, multilateral development bank and Indonesian Government investment in infrastructure.</p> <p>AUD500m dollars in additional financing is leveraged.</p>	<p>High quality projects prepared and financed by the Indonesian Government, the private sector and / or multilateral development banks.</p> <p>A national performance-based road maintenance program is rolled out.</p> <p>National roads database (for asset management) rolled out.</p> <p>AUD600m dollars in additional financing is leveraged.</p>	<p>AUD1 billion dollars in additional financing is leveraged.</p> <p>A national performance based-road maintenance program is included in the state budget (APBN 2019).</p>

3. More jobs and higher incomes, especially for poor households	<p>Indonesia adopts reforms that make it easier to invest and do business.</p> <p>37,740 farm households can access markets and increase their incomes by 30 per cent.</p> <p>Increased engagement with private sector organisations through 112 business partnerships.</p>	<p>Further reforms are adopted to make it easier to do business, including by local governments and courts.</p> <p>Growth in international investment is observed in targeted areas.</p> <p>124,000 cumulative farm households can access markets and increase their incomes by 30 per cent.</p>	<p>Improved policy settings in at least one area (financial services, vocational training, digital economy or VAT status) in the services sector through targeted advocacy with the private sector.</p> <p>300,000 cumulative farm households can access markets and increase their incomes by 30 per cent.</p>
4. Government spending is better targeted to reduce poverty	<p>Inefficient spending on subsidies is reduced. New government program to replace subsidised rice program piloted in cities.</p> <p>Indonesia's Family Hope Program (PKH) expands to 6 million families (from 3.5 million in 2015).</p>	<p>More poor families are purchasing rice from market (in lieu of subsidised rice distribution).</p> <p>Indonesia develops mechanism to dynamically update poverty data.</p> <p>More poor people receive social assistance payments through bank accounts.</p>	<p>Improved delivery systems enable better quality expansion of key social protection programs (PKH and BPNT).</p> <p>150 district/city governments (60 new) identify and target excluded women and men for potential inclusion in social protection programs.</p>
5. More households can access water and sanitation	<p>Improved rural water and sanitation systems are adopted. The Indonesian Government and private sector funding for water supply infrastructure is increased.</p>	<p>200,000 women and men have improved access to safe water and basic sanitation.</p>	<p>10,000 people with disabilities in rural areas benefit from disability inclusive-designed water and sanitation infrastructure.</p>

<p>6. Children have improved literacy and numeracy</p>	<p>Pilots for better approaches to improving learning are designed with the Indonesian Government.</p> <p>Indonesia allocates budget to activities supporting improved learning.</p>	<p>Pilot programs for improving learning outcomes are implemented.</p> <p>Indonesia allocates budget to activities supporting improved learning outcomes.</p> <p>An evaluation of pilots of teacher performance incentives is expanded from 10 to 33 sub-districts.</p>	<p>Indonesia adopts improved systems and practices for the professional development of teachers, using evidence from pilots.</p> <p>Literacy and numeracy scores increase for girls and boys in target communities relative to baseline.</p> <p>80 per cent of subnational government (districts) that we work in partnership with allocate budget to activities supporting improved learning outcomes.</p>
<p>7. Governments – national and local – deliver the services communities need</p>	<p>Indonesia improves the formula and model for sub-national transfers.</p> <p>Higher capacity of governments in target areas to identify and respond to local needs. Better ways of delivering local services are trialled in target provinces.</p> <p>The referral system for accessing local social assistance programs is expanded from 5 to 50 districts.</p>	<p>Local governments in targeted areas improve policies and budget management.</p> <p>Villages in target areas are using Village funds to invest in health and education.</p> <p>Target areas make improvements in service delivery.</p> <p>Poor people are accessing local programs and services through referral.</p> <p>More people can access identity cards and services.</p> <p>Child grant pilot established in 3 districts in Papua Province.</p>	<p>Villages in target areas allocate at least 20 per cent of Village Funds for basic services (health, education, legal identity, and basic infrastructure).</p> <p>More than 10,000 women and men receive legal identity documents through DFAT-funded approaches and models.</p> <p>Families in three districts start to receive regular child grant transfers from the Papua Provincial Government.</p>

<p>8. Women have a voice in decision-making and access to better jobs and services</p>	<p>Civil society organisations are better equipped to improve lives of women and people from marginalised groups.</p> <p>Models of service delivery that assist women access services and safer work are established.</p>	<p>Government adopts models to help women access services and safer work in target districts.</p> <p>Increased engagement between civil society and government contributes to policies that better reflect the needs of women.</p> <p>More women in target locations are actively involved in village level development planning.</p> <p>Targeted impact investors incorporate gender into investment decision-making, and investment in women's small medium enterprises (WSMEs).</p>	<p>Impact investing partners make investments into at least two women's small and medium enterprises (WSMEs) in Indonesia.</p> <p>A year-on-year increase in the number of female migrant workers accessing improved migration support services in targeted areas.</p> <p>A majority of directly supported civil society organisations and networks have demonstrated improved capacity to increase women's participation in decision-making processes.</p>
<p>9. Marginalised groups can advocate for and access basic services</p>	<p>Justice and legal services can be accessed by more people.</p> <p>Marginalised groups can access identity documents and government services.</p> <p>Implementation of the Disability Law is on track.</p>	<p>Implementation of the Disability Law remains on track and a greater number of persons with disability can access services.</p> <p>Increased Indonesian Government funding for inclusive programs.</p> <p>Civil society actors assist in countering radicalisation through public discourse.</p>	<p>Civil society input ensures a plan is in place to monitor and evaluate implementation of the disability law and a greater number of people with disability can access services.</p> <p>Strengthened civil society advocacy for followers of local beliefs, following the Constitutional Court decision, to ensure legal recognition by the government.</p> <p>A National Action Plan for Countering Violent Extremism, with input from civil society, is finalised.</p>

10. Increased resilience to economic shocks through improved environmental governance, disaster risk management and health security	<p>Indonesian agencies agree to cooperate on the prosecution of environmental crimes using a 'multi-door approach (MDA)'.</p> <p>Strengthened international cooperation on sustainable land use, including with Australia, Norway and the World Bank.</p>	<p>National Grand Design for Forest, Plantation and Land Fire Prevention is launched</p> <p>National platform for coordination on landscape management is established.</p> <p>Finance is mobilized for peatland restoration.</p>	<p>At least AUD200 million is leveraged to support sustainable landscape management.</p> <p>At least one environmental crime is investigated using the Multi-Door Approach.</p>
11. Public policies are informed by evidence	<p>Evidence is used in key reforms. Government funding of research is increased.</p> <p>Research organisations, including universities, play a stronger role in public policy making.</p>	<p>Evidence, including from pilots, is used in key reforms and to improve policies and programs.</p> <p>Indonesian research organisations, including universities, play a stronger role in public policy making.</p>	<p>Tools to support implementation of the procurement regulation, such as an e-catalogue of research providers, are in place.</p> <p>Lessons and evidence, including from pilots, are used to inform the national medium term development plan (RPJMN).</p>
12. DFAT delivers effective programs in Indonesia	<p>DFAT meets Ministerial targets for gender effectiveness. All strategic targets are on track. An updated PAF with clearer outcomes and milestones is produced.</p>	<p>PAF implementation continues to improve and contributes to decision-making. Planning is underway for new Aid Investment Plan.</p>	<p>Ministerial targets to 2019 are achieved.</p>

ANNEX F – LIST OF ACRONYMS

AAI	Australia Awards Indonesia
ACIAR	Australian Centre for International Agricultural Research
ADB	Asian Development Bank
AIHSP	Australia-Indonesia Health Security Partnership
AIP	Aid Investment Plan
AIP – Rural	Australia-Indonesia Partnership for Rural Development
AIPEG	Australia-Indonesia Partnership for Economic Governance program
AIPEID	Australia Indonesia Partnership for Emerging Infectious Diseases
AIPJ2	Australian-Indonesia Partnership for Justice Phase 2
APRA	Australia Prudential Regulation Authority
APPR	Aid Program Performance Report
AQC	Aid Quality Checks
ASEAN	Association of Southeast Asian Nations
AUD	Australian Dollars
Bappenas	Ministry of National Development Planning
BRICS	Emerging economies – Brazil, Russia, India, China and South Africa
CO ²	Carbon Dioxide
CSO	Civil society organisations
CVE	Countering violent extremism
DESMIGRATIF	Safer migration pilot
DFAT	Department of Foreign Affairs and Trade
DGH	Directorate General of Highways
DPOs	Disabled peoples' organisations
FH UI	Faculty of Law, University of Indonesia
G20	Group of 20
GAP	Gender Action Plan
GDP	Gross Domestic Product
Generasi	Healthy and Bright Generation Program
GPF	Government Partnerships Fund
HJD	Hibah Jalan Daerah
IACEPA	Indonesia-Australia Comprehensive Economic Partnership Agreement
IDF	Indonesian Development Forum
IDR	Indonesian Rupiah
ID-TEMAN	Improving Dimensions of Teaching, Education and Learning Environment Trust Fund
INIS	Indonesia Infrastructure Support
INOVASI	Innovation for Indonesia's School Children
J-PAL	Jamal Poverty Action Lab
KIAT	Australia Indonesia Partnership for Infrastructure
KIAT Guru	Improving Teacher Performance and Accountability in Remote Areas
KOMPAK	Governance for Growth Program
KSI	Knowledge Sector Initiative
LGBTI	Lesbian, gay, bisexual and transgender
LSP	Local Solutions to Poverty
MAHKOTA	Towards a Strong and Prosperous Indonesia Program
MAMPU	Australia-Indonesia Partnership for Gender Equality and Women's Empowerment
MaPPI	Masyarakat Pemantau Peradilan Indonesia
MDB-IAP	Multilateral Development Bank – Infrastructure Assistance Program



MSS	Minimum Service Standards
NTB	Nusa Tenggara Barat Province
NTT	Nusa Tenggara Timur Province
ODA	Official development assistance
OJK	Indonesian Financial Services Authority
OTSUS	Special Autonomy Fund
PAF	Performance Assessment Framework
PAMSIMAS	Water and Sanitation for Low Income Communities Project
Peduli	Program Peduli
PKPR	Partnership for Knowledge-based Poverty Reduction
PLN	Perusahaan Listrik Negara
PPAs	Partner Performance Assessments
PRIM	Provincial Road Management and Maintenance program
PROSPERA	Australia Indonesia Partnership for Economic Development
RAMS	Road Asset Management System
RBL	Results based loans
RPJMN	National Medium Term Development Plan
sAIIG	Australian Infrastructure Grants for Municipal Sanitation
SIAP	Sustainable Infrastructure Assistance Program
SDGs	Sustainable Development Goals
SLM-MDTF	Sustainable Landscape Management Multi-Donor Trust Fund
SMEs	Small to medium enterprises
SOM	Senior officials meeting
TASS	Technical Assistance for Education System Strengthening Facility
TITRA	Tertiary Irrigation Technical Assistance
TNP2K	National Team for Accelerating Poverty Reduction
UDB	Unified Database
UNICEF	United Nations Children's Fund
USD	United States Dollars
WSMEs	Women's small to medium enterprises

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