



# INVESTMENT DESIGN DOCUMENT

## AUSTRALIA-INDONESIA CLIMATE AND SUSTAINABLE INFRASTRUCTURE PARTNERSHIP (KINETIK)

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## Acronyms

ADB	Asian Development Bank
ADI	Australian Development Investments
AI	Artificial Intelligence
APS	Australian Public Sector
ASEAN	Association of Southeast Nations
Bappenas	Ministry of National Development Planning
B2B	Business-to-Business
BKPM	Indonesia Investment Coordinating Board
CBO	Community-based Organisation
CMEA	Coordinating Ministry for Economic Affairs
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CSO	Civil Society Organisation
DEG	Deutsche Investitions- und Entwicklungsgesellschaft
DFAT	Department of Foreign Affairs and Trade
DFI	Development Finance Institution
DPP	Development Partnership Plans
EOPO	End of Program Outcome
ESG	Environmental, Social, and Governance
GDP	Gross Domestic Product
GEDSI	Gender Equality, Disability and Social Inclusion
G2G	Government-to-Government
GHG	Greenhouse Gases
ICN	Investment Concept Note
IDD	Investment Design Document
INA	Indonesia Investment Authority
IO	Intermediate Outcome
JETP	Just Energy Transition Partnership
KIAT	Australia-Indonesia Partnership for Infrastructure
KINETIK	Australia-Indonesia Partnership for Climate and Infrastructure
LKPP	Indonesia National Public Procurement Agency
MDB	Multilateral Development Bank
M&E	Monitoring and Evaluation
MEL	Monitoring, Evaluation and Learning

MOF	Ministry of Finance
MOHA	Ministry of Home Affairs
MOSOE	Ministry of State-Owned Enterprises
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OJK	Financial Services Authority
OPD	Organisation of Persons with Disabilities
PEA	Political Economy Analysis
PIDG	Private Infrastructure Development Group
PPP	Public Private Partnerships
PSEAH	Prevention of Sexual Exploitation, Abuse and Harassment
PT SMI	PT Sarana Multi Infrastruktur
PT IIF	PT Indonesia Infrastructure Finance
PT IIGF	PT Indonesia Infrastructure Guarantee Fund
PT PLN	PT Perusahaan Listrik Negara (Indonesia's state-owned electricity company)
RPJMN	National Medium-Term Development Plan
SIAP2	Sustainable Infrastructure Assistance Program II
SMV	Special Mission Vehicle
SOE	State-owned Enterprise
USAID	United States Agency for International Development
WASH	Water, Sanitation, and Hygiene
WB	World Bank

## Glossary of Terms

<i>Term</i>	<i>Definition</i>
Bankable projects	Financially viable projects that are attractive to investors, often specifically those that align with climate objectives.
Blended Finance	Strategic use of a mix of development finance to mobilise additional finance for sustainable development.
Climate Adaptation Infrastructure	Infrastructure that assists societies adjust to actual or expected climate effects. (e.g. sea walls, reservoirs and green spaces).
Climate Finance	Category of finance that seeks to reduce emissions, enhance greenhouse gas sinks, and reduce vulnerability to climate change impacts.
Climate mitigation in infrastructure	Infrastructure that focuses on reducing greenhouse gas emissions to limit climate change (e.g. green buildings, renewable energy generation).
Climate resilience in infrastructure	Infrastructure that is climate and disaster resilient, considering physical and transition climate and disaster risks and minimising emissions in its design, build and operation.
Financing	Upfront costs of building the infrastructure. Common financing sources include central and subnational governments, state-owned enterprises, public-private arrangements and wholly private sector funded.
Funding	Mechanisms for taxpayers and users to pay the full cost of delivering the infrastructure. This includes servicing debt obligations and distributing revenues to investors.
Green Finance	Category of finance that targets environmentally sustainable projects and initiatives.
Green Growth	Economic progress that fosters environmentally sustainable, low-carbon, and socially inclusive development.
Green and sustainable finance taxonomies	Frameworks that define and classify economic activities and investments based on their environmental sustainability and contribution to climate objectives
Infrastructure with co-benefits	Infrastructure projects that integrate adaptation and mitigation elements. For example, urban green spaces serve as cooling zones (adaptation) while sequestering carbon (mitigation).
Innovative Financing and Funding	Financing and funding which aims to catalyse and leverage private sector investment and/or alternate investment sources through market-based solutions.
Sustainable Finance	Category of finance that incorporates a broad array of environmental, social, and governance considerations into infrastructure investment decisions.

## Sustainable Infrastructure

The planning, delivery, and maintenance of infrastructure that addresses both economic needs and meets the needs and expectations of local communities, including women, people with disabilities, and marginalized groups, while also contributing to low emissions and climate resilience

## Public Private Partnerships

An infrastructure procurement method involving the use of private sector capital to wholly or partly fund an asset

## A. Executive Summary

The Australia–Indonesia Climate and Sustainable Infrastructure Partnership (“the KINETIK Partnership” or “KINETIK”) is a 10-year, up to AUD650 million investment. The Partnership will support Indonesia’s efforts to deliver sustainable infrastructure, drive green economic growth, and support low emissions and climate resilient development.

The Partnership will support the Government of Indonesia (GOI) to achieve its objectives to access a broader mix of public, private and climate finance to respond to the country’s growing infrastructure and climate resilience needs. It will ensure projects are planned, delivered and maintained in ways that are inclusive of local communities – especially women, girls, and people with disability. By supporting more sustainable and inclusive green growth in Indonesia, the Partnership will create new trade and investment opportunities and strengthen our shared economic future.

The Partnership builds upon successful predecessor investments including the Indonesia-Australia Partnership for Infrastructure (KIAT, AUD300 million, 2016-2026), the Australia-Indonesia Partnership for Climate and Infrastructure (KINETIK, AUD200 million, 2022-2027), and the Asian Development Bank-delivered Sustainable Infrastructure Assistance Program (SIAP2, AUD40 million, 2019-2025). The Partnership will absorb the final 18 months of the current KINETIK program’s climate finance investments in Australian Development Investments (ADI) and the Private Infrastructure Development Group (PIDG), as well as the KINETIK Hub functions and some aspects of KINETIK’s policy and regulatory reform work.

### The investment has three inter-related End of Program Outcomes:

1. **Climate resilience:** Investments from government, private and community actors increasingly contribute to climate mitigation and adaptation in Indonesia.
2. **Innovative financing:** The Government of Indonesia increasingly uses diverse, innovative and high-quality financing for investment that support Indonesia’s inclusive, climate resilient development.
3. **Sustainable infrastructure:** The Government of Indonesia delivers sustainable and resilient economic infrastructure (particularly in water, transport and energy) that meets the needs and expectations of the communities, including women, people with disabilities and marginalised groups.

The Partnership operates through an integrated portfolio approach focusing on three core sectors for end-to-end engagement: clean energy transition; water, sanitation and waste management; and sustainable transport (public transport, connectivity/multi-modal hubs). Demand-driven and strategic activities can be delivered beyond these focus sectors as they contribute to the objectives of the program. Two cross-cutting themes will be implemented across all activities: gender and disability and social inclusion, and automation and digitalisation.

## Justification and Analysis

**Development Challenges:** Indonesia faces a USD1.3 trillion infrastructure investment gap by 2040<sup>1</sup>. GOI’s ambitious goal of 8% GDP growth by 2029 requires an over 300% increase in infrastructure investment. The government is expected to contribute approximately 40% of total investment needs, with state-owned enterprises providing an additional 30% and the private sector targeted to finance the remaining 30%. GOI’s Indonesia Investment Authority (INA) and the newly established Danantara Sovereign Wealth Fund are envisioned to play an important role in mobilising private sector investment in infrastructure through several investment platforms. However, while successive Indonesian governments have looked to the private sector to bridge the country’s significant infrastructure financing gap, these efforts have been less successful in meeting ambitious investment targets.

Indonesia is also the world’s eighth-largest greenhouse gas emitter (since 1990), with high carbon emissions from the energy sector (45%) and transport (23%)<sup>2</sup>.

Indonesia is also highly vulnerable to climate change impacts. The country is ranked in the top third of countries globally for climate risk with over 300 weather-related disasters between 1990 and 2021. Climate-related impacts are estimated to cost 1.24% of GDP by 2030, increasing to 6.97% by the 2060s under 3°C warming. Delivering on

<sup>1</sup> G20 Global Infrastructure Hub

<sup>2</sup> Emissions index, based on climate watch (WRI) data



Indonesia's 2030 Nationally Determined Contribution (NDC) targets requires USD247.2 billion of investment. The infrastructure gap and climate change disproportionately impact women and marginalised communities.

**Strategic Rationale:** The Partnership responds to Indonesia's acute infrastructure financing challenges, climate vulnerability, and ambitions for economic transformation. It builds on Australia's position as a trusted partner supporting Indonesia's transition to upper middle-income status while advancing regional stability and prosperity.

**Approach:** Taking a partnership approach with an integrated portfolio ensures Australia's infrastructure and climate initiatives are more than the sum of their parts, deepening DFAT's policy and strategic coherence to create a shared vision across Australia's investment portfolio. Ensuring coordination and line of sight across the Partnership enhances effectiveness and improves efficiency by reducing duplication. The Partnership offers a system-wide approach to accelerating Indonesia's development and green growth transition through coordinated sovereign and private financing, policy dialogue, technical assistance, and capacity development.

The Partnership uses a mix of financing modalities including blended finance through ADI and PIDG. It focuses on end-to-end engagement across the project lifecycle and building stakeholder coalitions to strengthen accountability and support long-term reform.

Given the strong alignment between the Australia-Indonesia Partnership for Economic Development (PROSPERA) and the Partnership's work areas, there are significant opportunities for strategic collaboration, while requiring careful coordination to ensure complementary rather than duplicative efforts. DFAT will lead on facilitating formal coordination between these two programs to delimit roles and responsibilities, avoid overlap and foster collaboration.

**Innovation:** The Partnership adopts a demand-driven, adaptive design that embraces complexity and has a robust risk appetite for testing innovative approaches. Taking a forward-leaning approach, the design builds in flexibility to leverage emerging Australian or Indonesian development financing mechanisms over the life of the Partnership. This ensures the Partnership closely aligns with Indonesia's development trajectory and Australia's strategic and development priorities over the next decade, as well as positioning Australia to maintain deep engagement with Indonesia beyond traditional official development assistance.

## Governance and Management Arrangements

**Program-Level Governance:** A formal bilateral Program Steering Committee between Australia and Indonesia provides strategic and policy oversight.

**Operational Governance:** A multi-stakeholder Partnership Coordination Committee provides operational direction, planning, review and learning, bringing together senior representatives of all Delivery Partners bi-annually. The Primary Contractor functions as Secretariat, with Partners reporting on progress through endorsed Annual Plans and Reports under an agreed Partnership Charter.

**Delivery Partner Structure** (note: to be reviewed and adjusted as required over the life of the Partnership):

- **Primary Contractor:** Overall portfolio and Partnership-wide responsibilities, technical services, and advisory support
- **Financial Markets Advisory Partner and Lead NGO Partner:** Specialist advisory and community engagement services to be subcontracted under the auspices of the Primary Contractor
- **Asian Development Bank (ADB):** Technical, analytic and research services, and loan preparation in agreed sectors under direct Grant Agreement
- **World Bank (WB):** Complementary technical, analytic and research services, and loan preparation services, including under the Australia-Indonesia Partnership (ABIP) Agreement, in addition to potential direct support for World Bank financing of priority climate initiatives
- **Australian Development Investments (ADI), Private Infrastructure Development Group (PIDG) and potentially other blended finance mechanisms:** Investment and financing services for climate, green growth and sustainable infrastructure initiatives.
- **Australian Public Service (APS) Agencies:** Department of Climate Change, Energy, the Environment and Water (DCCEEW) and others will contribute government-to-government linkages and expertise as requested by the GOI.

- **Technical Advisory Group (TAG):** Direct advisory support to DFAT, shared with the PROSPERA and KATALIS programs.

**Management Approach:** The Primary Contractor supports integration and coherence across the portfolio through common guidelines, standards, and monitoring systems. DFAT maintains policy and strategic oversight, including approval of Activities and Projects within defined parameters.

**Activity Selection:** All Partners apply common minimum selection criteria including alignment with GOI development plans, primary climate change objectives (emissions reduction, adaptation, or resilience), opportunities for private sector financing, and gender equality, disability and social inclusion (GEDSI) outcomes. Partners have some degree of delegated authority for individual Activities and Projects (within defined parameters to be agreed during the Inception Phase) within annual funding allocations, except for high-risk initiatives requiring specific DFAT endorsement.

### Budget Summary

**Total Investment:** Up to AUD650 million over ten years (2026–2031 with an extension option just under five years, from 2031–2036), structured as approximately AUD60 million annual allocation including implementation costs for Activities and Projects across focus sectors, with scope to increase the annual allocation if additional funding sources become available, or if for example some investable capital or multilateral bank payments are frontloaded to ensure impacts are known and measurable before the extension option period.

The indicative budget includes AUD100 million to be channelled through blended financing mechanisms (PIDG, ADI, or others) to complement the existing AUD100 million invested through PIDG and ADI under the current KINETIK program.

**Indicative Activities:** The annual budget allocation for the Partnership is estimated to enable delivery of the following indicative activities in any given year (noting the optimal portfolio balance is likely to change over time and this is indicative only):

- End-to-end support to approximately 11 major projects across the project lifecycle
- Individual project advisory support for approximately 8 major infrastructure projects during implementation/delivery phase
- Delivery of approximately 17 policy and analytical initiatives, 8 significant training events, 10 technical and advisory products, and enabling services for 15 SMEs and 12 Community Based Organisations.

### Risk Assessment and Management

**Overall Risk Rating:** This is an investment with a number of inherently high risks, noting the high value and long term implementation period for the Partnership, and acknowledging the complex political economy environment and ambitious program scope. The overall risk rating (following mitigations) is medium. The Partnership is not expected to directly deliver or directly implement infrastructure projects or construction. The overall risk rating of medium (following mitigations) reflects this scope, as well as the comprehensive risk management approach embedded within this design. The investment will be managed in accordance with DFAT's Development Risk Management policy and practice framework. The delegate will be advised of changes of risk profile occurring during implementation.

#### Key Risk Categories:

- **Program Management Complexity:** Large-value, multi-partner programs present unique management challenges requiring robust governance, clear communication, and adaptive management approaches. Mitigation includes establishing clear vision and objectives, implementing strong governance processes, and fostering transparent communication between DFAT and delivery partners.
- **Complexity of Political Economy and Institutional Context:** The political economy of the climate and energy transition, as well as infrastructure planning and delivery, under the new administration remains highly contested, with some initiatives discontinued and others reinvigorated. The GOI approach and institutional context related to climate and infrastructure issues may be characterised by policy and regulatory fragmentation and changing priorities over the life of the Partnership. Mitigation includes maintaining

formal and informal communications with government counterparts, as well as the responsive and adaptive programming approaches of the Partnership.

- **Fraud and Corruption Control:** The program will work with many funding recipients and partners across a range of sectoral focus areas and geographic locations in Indonesia. Mitigation includes a strong fraud risk management approach including specialist fraud expertise, comprehensive fraud control strategy based on Commonwealth frameworks, due diligence assessments, and fit-for-purpose monitoring systems. Additionally, the adoption of integrated risk management approaches with regular DFAT-contractor risk discussions, shared risk registers, escalation pathways, and bi-weekly sector team meetings building on lessons from predecessor programs are measures to be adopted.
- **Safeguards Risks:** The program operates in a complex risk environment requiring robust social safeguards including environmental and social safeguards policy based on DFAT and international standards, specialist Safeguards Adviser, annual partner policy adherence reviews, and activity screening protocols. For child protection, a moderate risk rating will require detailed risk assessment and appropriate minimum standards application, including personnel screening and partner policy compliance. Sexual Exploitation, Abuse and Harassment is assessed as high-risk requiring completion of minimum standards 1-5 of DFAT's PSEAH risk management guidance, with dedicated PSEAH Adviser, detailed protocols, and comprehensive training programs. A High-risk rating was applied due to the likelihood that partners will not have strong internal PSEAH leadership, policies and practices in place, and where there are policies in place they may not be applied to downstream partners and staff. All program activities and projects will need to be screened for their specific SEAH risks.

The Partnership represents a significant evolution in Australia-Indonesia development cooperation. It marks the next phase in programming that transitions from traditional aid to innovative financing and investment approaches that support Indonesia's climate and development ambitions while creating mutual economic opportunities. Success depends on adaptive management, strong partnerships, and sustained commitment to addressing Indonesia's complex infrastructure and climate financing challenges.

## B. Introduction and background

**Australia has a strong track record with Indonesia on infrastructure and more recently, climate and climate finance.** Over several decades, Australia has worked with GOI to improve infrastructure planning, policy and delivery, underpinned by programs including the Indonesia-Australia Partnership for Infrastructure (KIAT, AUD300 million, 2016-2026), the Sustainable Infrastructure Assistance Program (SIAP2, AUD40 million, 2019-2025), and more recently, climate finance through the Australia-Indonesia Partnership for Climate and Infrastructure (KINETIK, AUD200 million, 2022-2027). These programs have improved infrastructure, leveraged finance, and tackled climate change.

**The new Partnership brings these investments under a single, coherent portfolio.** By consolidating Australia's flagship investments in climate, infrastructure and development financing, the Partnership ensures strategic alignment across programs, strengthens coordination with delivery partners and GOI, and positions Australia to deliver more integrated and impactful support. The Asian Development Bank (ADB) will continue to be an important partner on infrastructure, contributing to shared outcomes under the broader Partnership.

**The Partnership is forward-looking, positioning Australia to work with Indonesia as it transitions towards a post-ODA context.** As Indonesia progresses along its development pathway, Australia is shifting its engagement to support better mobilisation of domestic resources, private capital and climate finance. This aligns with global Financing for Development priorities<sup>3</sup> and enables Australia to support Indonesia's economic transition in a way that reflects its growing capacity and ambition.

**The Partnership directly supports Indonesia's national development priorities, including the Prabowo administration's focus on food, water and energy security.** These priorities are core to Indonesia's National Medium Term Development Plan (RPJMN) 2025-2029, which emphasises climate-resilient infrastructure, the green economy, and the acceleration of the energy transition. GOI is pursuing economic growth through low-

<sup>3</sup> Outcomes Document, [4th International Conference on Financing for Development](#)

emissions pathways, including investments in renewable energy infrastructure, and improved access to sustainable finance.

**Climate change resilience is central to the Partnership's objectives, reflecting both Indonesia's vulnerability and Australia's commitment to climate-resilient development.** Indonesia ranks in the top third of countries in terms of climate risk, with over 300 weather-related disasters recorded between 1990 and 2021. The impacts are intensifying and disproportionately affect poor and vulnerable populations—including women, people with disability and indigenous communities. Indonesia's Enhanced Nationally Determined Contribution (NDC) commit to reducing emissions by up to 43.2% by 2030 with international support, and achieving net zero emissions by 2060 or earlier. Achieving these goals will require an estimated USD247.2 billion in climate investment.

**The Partnership leverages a mix of financing modalities to support Indonesia's transition to net zero and inclusive green growth.** Through Australian Development Investments (ADI) and the Private Infrastructure Development Group (PIDG), the Partnership blends public and private finance to support infrastructure and green growth projects that reduce emissions and build climate resilience. It encourages innovation in financial instruments and will consider further capital contributions to other mechanisms that align with Indonesia's climate and infrastructure priorities.

**The Partnership aligns with Australia's International Development Policy and the Australia-Indonesia Development Partnership Plan.** The Partnership integrates gender equality, disability and social equity (GEDSI) across all activities, recognising that climate impacts and the infrastructure gap are not felt equally. Women, people with disability, and marginalised communities—particularly in eastern Indonesia—face systemic barriers to participation in and benefit from green economic growth. The Partnership responds by investing in inclusive infrastructure, capacity building, and supporting local climate-positive enterprises. The investment demonstrates a **commitment to localisation** through empowering leadership of local partners and actors, building local institutional capability, networks and coalitions for sustainability.

**The Partnership is a significant contribution to the Comprehensive Strategic Partnership between Australia and Indonesia.** It strengthens bilateral cooperation, supports sustainable and inclusive economic growth, and deepens engagement in areas of shared strategic interest—including climate resilience, infrastructure connectivity and regional stability. The scale of climate risk impacts and mitigation challenges in Indonesia highlights the importance of the nexus between infrastructure, financing and climate. It also creates significant opportunities for private sector engagement, complementing the work of other DFAT investments and the work of Australia's trade and investment focused 'Deal Teams' in Jakarta.

**Comprehensive consultations confirmed stakeholder demand for the Partnership's focus on climate, infrastructure, and finance, its market driven implementation approach, and governance arrangements.** Consultations with over 200 stakeholders through multiple in-country missions have shaped the design of the Partnership, including its focus on complementarity with PROSPERA. Consultations were conducted with Jakarta Post, GOI, SOEs including those with financing responsibilities, Indonesian private sector representatives, other donors and development finance institutions, CSOs, Australia's financing mechanisms, key bilateral program teams, and DFAT's design section. Consultations confirmed that key constraints to infrastructure development, growth and financing in Indonesia are largely political economy challenges. The Partnership's emphasis on coalition building and working across the system to foster reform responds directly to this feedback.

**The Partnership must carefully balance centralised strategic direction and coordination with enabling the right balance of partner-level responsiveness and autonomy.** A key implementation challenge is establishing the right internal operating environment, with DFAT holding responsibility for principles-based management and governance arrangements that will be applied across multiple delivery partners. Additionally, DFAT will need to carefully define the parameters and processes that will drive a strategic portfolio of Projects and Activities. The design provides guidance for this; however, DFAT will need to undertake further work to build internal capabilities to manage the size and ambition of the Partnership.



### C. Development Context and Situational Analysis (What problem are we addressing?)

#### *Economic and regional context*

Indonesia's increasing importance as an economic partner for Australia presents the opportunity and imperative for deeper, more strategic engagement. With a population of around 290 million and an average annual growth rate of 5%, Indonesia is an important economic partner for Australia. Indonesia's Long-Term Development Plan (RPJPN 2025-2045) outlines a vision for achieving upper middle-income status, creating demand for employment, infrastructure, clean energy and resilient services. Working with Indonesia helps shape a more stable, prosperous and climate resilient region, while supporting inclusive growth.

Indonesia actively engages in both bilateral and regional trade agreements, and its leadership in ASEAN highlights its important contribution to regional stability and economic integration. Indonesia is also pursuing membership of both the OECD and the CPTPP. Indonesia's commitment to open, fair, and free trade is important for the prosperity of Southeast Asia and directly benefits Australia by ensuring predictable, mutually advantageous access to markets, upholding the rules-based order that underpins regional and global trade. Australia has a strategic interest in deepening its relationship with Indonesia through increased investment in infrastructure from Australian and other international sources. Such investment creates mutually beneficial trade and commercial opportunities that enhance the Indonesia-Australia economic partnership while contributing to regional development.

Indonesia's economy is diverse and dynamic, comprising three main sectors: agriculture, manufacturing (industry), and services. The services sector, which includes trade, tourism, finance, and information technology, accounts for over 45% of GDP and is a key driver of growth and employment<sup>4</sup>. Manufacturing makes up around 20% of GDP, led by industries such as textiles, automotive, electronics, and food processing<sup>5</sup>. Agriculture, while a smaller share of GDP (about 13%), remains essential for employment, particularly in rural areas, and is vital for livelihoods and food security<sup>6</sup>. Climate resilient infrastructure supports growth across these sectors, creating new trade, investment and supply chain opportunities.

Small and medium enterprises (SMEs) are the engine of Indonesia's economy, but face barriers to growth, innovation and inclusion. Most SMEs are led by women who face entrenched gender barriers. These SMEs play vital roles in the informal economy and community level climate resilience. Supporting women-led SMEs fosters a shift towards climate-positive enterprises and goals.

The global environment presents uncertainty, but also opportunities for reform. Geopolitical headwinds, climate change pressures, and financial volatility create the urgency for structural reform. While the unclear outlook makes definitive planning inappropriate, the Partnership can leverage opportunities through smart and agile actions taken with the right stakeholders in a timely manner. Supporting Indonesia to address climate and infrastructure issues reinforces Australia's reputation as a trusted partner, expands opportunities for climate-aligned investment and bolsters regional stability.

#### *Indonesia's low emissions transition demands coordinated, inclusive and scalable action*

Indonesia is entering a critical decade in its transition to green growth, but fragmentation, financing gaps and policy inconsistency undermine delivery. GOI has prioritised green growth in its RPJMN 2025–2029, including a scale-up of renewable energy, and investment in sustainable infrastructure. Indonesia's abundant natural endowments, including critical minerals like nickel, vast biodiversity, and carbon sinks, position the country to become a global supplier in decarbonisation markets and a hub for green industrialisation, including battery and electric vehicle production. These emerging sectors require enabling policy and regulatory ecosystems, as well as a shift in labour market skills and education systems.

Supporting systemic reform through coherent infrastructure, climate and financing offers a powerful pathway to help Indonesia realise its green growth ambition, while fostering long-term trade, investment and strategic opportunities.

<sup>4</sup> Indonesia economic data projections (2023). [www.focus-economics.com](http://www.focus-economics.com)

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

### *Infrastructure gaps and uneven access undermine inclusive, climate resilient development*

President Prabowo has called for the private sector to play a larger role in the national economy, including taking the lead in infrastructure development. Closing the infrastructure gap requires a mix of conventional and innovative approaches to effectively mobilise government and private sector financing. The GOI estimates that reaching 8% GDP growth by 2029 will require an over 300% increase in infrastructure investment compared to the previous five-year period. The government is expected to contribute approximately 40% of total investment needs while SOEs are anticipated to provide 30%. GOI is targeting the private sector to finance the remaining 30% through multiple schemes including PPPs, B2B deals and joint ventures, blended finance and asset recycling. In addition, the GOI's Indonesia Investment Authority (INA) and the newly established Danantara Sovereign Wealth Fund are envisioned to play an important role in mobilising private sector investment in infrastructure through several investment platforms. Successive Indonesian governments have looked to the private sector to bridge the country's significant infrastructure financing gap but have been less successful in meeting overly ambitious five-year investment targets.

**Indonesia's infrastructure deficit is a persistent development challenge and a structural barrier to achieving its green growth targets.** Connectivity, logistics and access to basic infrastructure remain major constraints—particularly in eastern Indonesia and other off-Java regions. With 16 cities with populations greater than one million and an annual urbanisation growth rate of 1.8%, the effective provision of urban infrastructure and services is even more challenging. Even as Indonesia's population growth rate has slowed, increased urbanisation and expectations for improved living standards have resulted in increasing infrastructure demands. Key sectors requiring significant infrastructure-related investment include transportation and urban mobility, renewable energy, water and sanitation, waste management, housing, health, education, food security, industrial estates and Special Economic Zones, and digitalisation.

**Infrastructure is impacted by, but also contributes to addressing, climate and disaster risks and impacts for communities and vulnerable populations in Indonesia.** Low-income communities, women, people with disability and remote populations continue to experience limited access to essential services. These groups also face disproportionate climate risks, including from flooding, heatwaves, and infrastructure failure. Every USD1 invested in resilient infrastructure yields USD4 in avoided losses (World Bank 2019) and every USD1 on climate adaptation yields over USD10.5 of benefit over 10 years and 20-27% annual returns (WRI 2025). Reducing emissions and managing climate and disaster risks for infrastructure will require improvements across the infrastructure lifecycle.

For Australia, taking a systems approach to investing in inclusive infrastructure will support better institutional reform, project preparation, financing, and delivery, to help close Indonesia's infrastructure gap and respond to the challenges and opportunities of climate change.

### *Climate finance and private investment provide untapped opportunities, but significant work is required*

**Indonesia faces a major climate financing gap and the domestic financial sector is not yet positioned to close it.** The Ministry of Finance estimates the cost of achieving net zero by 2060 at USD40-60 billion annually from 2030. However, current public and private climate finance flows are less than USD2 billion per year. Part of the gap must be filled with quality international and private sources, aligned with strict sustainable finance standards. While progress has been made, including the launch of a sustainable finance taxonomy and ESG frameworks, banks and financial institutions are generally risk-averse and ill-equipped to provide the patient, risk-tolerant capital needed to emerging low-carbon sectors.

**Indonesia's enabling environment for private investment could be strengthened.** Persistent barriers include inconsistent regulation, weak project screening, limited risk-sharing instruments, and opaque institutional processes. Australian and international investors frequently cite the limited pipeline of investible projects, an uncompetitive risk-reward ratio, lack of market visibility, and difficulty navigating the bureaucracy. Projects with clear climate objectives remain in short supply, and the policy incentives to prioritise climate-aligned investments are underdeveloped.

**Significant opportunities exist to improve access to innovative private capital, including over USD1.3 trillion of global climate finance flows.** Embedding climate change mitigation, adaptation, disaster risk reduction and resilience will enable GOI to realise the social, environmental and economic benefits, including from expanding the green and sustainable finance sector. International investors are looking to apply green innovations and transfer their experience to new industries and sectors. Flexibility to respond to new subsectors, where they align to the Partnership's investment criteria and principles, can create the ability to respond when niche windows for action emerge through policy and private sector interests.

**Key sectors (water and sanitation, urban connectivity, and energy) can leverage alternative sources of financing while contributing to Indonesia's efforts to address climate change.** Projects that have a primary climate objective (adaptation or mitigation) and align with emerging global green and sustainable finance taxonomies are in demand, but projects, business models and policy are rarely aligned and investment ready. In water, sanitation and waste management there are opportunities for significant reform to the operations of SOEs to privatise operations and ownership of water utilities, and to develop models for financially viable waste management systems. In urban connectivity (transport) there is scope for public transport and multi-modal hubs, unrealised productivity gains from digitalisation and automation in operations, and opportunities to extend electric vehicle public transport systems in growing urban centres. There are opportunities to prepare for scaled energy transitions and the renewable energy and integration capacity required to be ready for future market conditions and private investment, as well as to develop alternative electricity systems at medium and large scale while the energy grid transitions from reliance on fossil fuels.

**SMEs, which make up over 97% of Indonesian businesses, are emerging in Indonesia to take advantage of these opportunities, many of them women-led businesses.** Australian capital investments through PIDG and ADI have been exploring avenues that promote investment and influence the financial system to leverage these opportunities. Supporting inclusive, gender-responsive enterprise development—particularly for women-led SMEs, will deliver strong development outcomes.

**Australia is well-placed to help unlock climate-aligned finance in Indonesia.** Through targeted investments across the project lifecycle, blended finance tools (such as PIDG and ADI), and policy dialogue and support for reforms that strengthen the enabling environment, Australia can strengthen its long-term economic partnership with Indonesia.

### *Gender equality, disability and social inclusion*

**Indonesia has a supportive policy environment for GEDSI in infrastructure and climate, but good practice and meaningful engagement in implementation – critical to financial viability – is often lacking.** Effective translation of central GEDSI policies into local policies and guidance remains weak due to several barriers. Key challenges include lack of knowledge among government staff, poor socialisation of national regulations and policies, limited political will and capacity at local levels, insufficient resources including budget allocation, high staff turnover rates, and poor coordination between different levels of government. These factors collectively result in poor application of GEDSI policies at the local implementation level, where climate and infrastructure projects take place and where the impacts on communities are most directly felt.

**Civil society organisations (CSOs) and disabled persons' organisations (OPDs) play a crucial role in bridging the gap between communities and government but face significant constraints to engagement.** Many CSOs and OPDs report that consultation processes with the government and development partners on energy transition and infrastructure issues are often transactional, occurring only once during project inception with no further meaningful engagement throughout the implementation phase. Organisations representing people with disabilities specifically seek greater opportunities to understand energy transition and infrastructure issues, including access to technical terminology and knowledge, so they can participate meaningfully in dialogues where they are invited but lack the tools to effectively engage. Despite these constraints, there are significant opportunities for civil society engagement. Lessons from KINETIK emphasise building inclusive ecosystems and strengthening networks, particularly focusing on mentorship and skills training programs that can help CSOs and OPDs overcome these engagement barriers and create sustainable partnerships between CSOs, OPDs, local government, and private sector actors.

Climate change exacerbates existing inequalities, disproportionately affecting women, persons with disabilities, and marginalised communities, while also offering opportunities to advance inclusion through climate action. Infrastructure, energy, and water systems are deeply intertwined with climate change, gender equality, and social inclusion. Infrastructure contributes significantly to emissions and faces mounting climate risks, yet often excludes the needs of women, people with disabilities, and marginalised communities due to unequal decision-making and poor inclusive design. Clean energy access can improve health, safety, and economic opportunities for women and people with disabilities but often remains limited by affordability, discriminatory policies, and lack of representation. To address these challenges, actions must include integrating gender and disability perspectives in infrastructure and energy planning, embedding universal design and climate and disaster risk assessments, supporting women-led enterprises through procurement, investing in off-grid and inclusive clean energy solutions, and ensuring equitable access to safe, affordable WASH services for all. Women and persons with disabilities are already engaged in climate action. More women in national parliaments leads to more-ambitious climate change policies and lower emissions, whilst diverse women's leadership in disaster risk reduction enhances community buy-in, improves information flow and enables better-targeted programs.

**Community engagement, social capital and willingness to pay are essential components of feasibility analysis and project viability in Indonesia, especially for social development projects.** Engaging communities in the design and implementation of projects ensures that interventions are tailored to local needs and priorities, leading to higher adoption rates and greater sustainability. Willingness to pay, whether through financial contributions or in-kind support, serves as a key indicator of community ownership and long-term sustainability. Projects that secure community investment are less likely to rely solely on external funding and more likely to achieve cost recovery, as seen in community-managed renewable energy initiatives in rural Indonesia. Early and meaningful engagement also helps identify potential cultural or economic barriers, allowing for risk mitigation and the development of appropriate support mechanisms.

**The intersection of gender and finance highlights both a major gap and a transformational opportunity.** Women own nearly 60% of micro, small and medium enterprises in Indonesia, yet their businesses are often smaller, more informal, and have less access to finance than those owned by men. Systemic barriers, including cultural norms, caregiving responsibilities, and lack of collateral, limit women's ability to scale climate-positive enterprises. While government programs provide some support to microenterprises, there is a pronounced financing gap for women-led small and medium-sized businesses, especially in the green economy.

### *Automation and digitalisation*

The GOI is acutely aware of the opportunities emerging for the use of automation and artificial intelligence to drive efficiency and productivity improvements in the economy and in service delivery. Innovations in microgrids, early warning systems for climate-related health risks, and monitoring of forests and natural resources using new technologies have already been implemented successfully. Indonesia is looking to exploit opportunities by attracting investors (such as Microsoft and Nvidia) to build digital and AI infrastructure and train local workers. The government has developed a national AI strategy<sup>7</sup> and incorporating strategies in policy and planning frameworks.

### *Lessons learned*

Australia has built a strong reputation and capacity in infrastructure, climate and financing through investments such as KIAT, KINETIK, SIAP2, and the Australia-Indonesia Partnership on Disaster Risk Management (SIAP SIAGA). Australia is regarded as a critical adviser, supporting the GOI in developing and implementing its own priorities and policies. Adopting a demand-driven and responsive mechanism has been critical to this approach, enabling responses to emerging issues and politically important priorities, with operational and public diplomacy benefits to both governments. Key lessons include the importance of working across government agencies and levels to strengthen communication and coordination, and the strength of demonstrating impact of individual reforms through end-to-end engagement across the project lifecycle. The GOI has expressed strongly the value it places on the policy, technical and capacity building support provided by KIAT over many years to unblock internal regulatory and systems constraints. Australia has also benefited from the complementary support of other actors

<sup>7</sup> AI and Indonesia's Path to Golden Indonesia 2045 – OpenGov Asia



(such as the ADB and World Bank) acting in concert and leveraging different strengths in convening power and access.

Australia has observed that **large-scale, impactful reform happens in Indonesia through multiple stakeholder coalitions working in concert, taking advantage of critical junctures, mutual interests and moments where political will is cemented.** Stakeholder coalitions consisting of champions from government, universities, civil society and private sector groups (such as professional and industry associations, and Chambers of Commerce), provide alternative sources of policy ideas, approaches, and advocacy on specific issues and in the process influence legislative processes, government regulation and social change. In Indonesia coalitions of actors have strengthened women's rights, environmental protections, and transparency in government. The current level of uncertainty in the global environment, while challenging, also creates opportunity for change.

Australia's investments have focused heavily on **supply-side efforts (building government capacity and institutions) without sufficiently tapping into demand-side opportunities for change.** Traditional approaches have prioritised strengthening formal structures and capabilities within government but have missed opportunities to harness the momentum and pressure that comes from engaged civil society and private sector actors, where their interests align, and who are seeking improved outcomes. Innovation through new finance mechanisms (e.g. under KINETIK) takes time to establish and yield returns and requires specialist expertise internally (within DFAT and externally, but is creating new, impactful ways to leverage market-based approaches and has potential to expand. Learning from successful coalition models observed across Indonesia's reform landscape, this new program can strategically leverage multi-stakeholder partnerships, particularly with locally-led organisations, to drive accountability, create pressure for reform, and capitalise on moments of political opportunity.

#### **D. Strategic Intent and Rationale (Why?)**

##### ***Strategic setting and rationale for Australian/DFAT engagement***

Australia has a strong and growing interest to continue supporting Indonesia's sustainable and inclusive economic transformation. By working together on climate, infrastructure and energy transition issues, Indonesia and Australia can deepen economic ties while realising Indonesia's development ambitions and increasing resilience. Indonesia's investments in infrastructure and the energy transition may create significant private sector investment opportunities for Australia. Infrastructure financing and climate and energy transition are at the centre of strategic competition in the region. In Indonesia, the past decade has seen the exponential growth and variable quality of foreign direct investment (FDI), while over the same period US investment in Indonesia has stagnated and investment from Japan, Australia and Europe has declined. Indonesia wants to access high quality infrastructure finance from a diverse range of investors, including Australia.

This investment advances Australia's strategic policy objectives under the *Australia-Indonesia Comprehensive Strategic Partnership*, which seeks to enhance economic and development partnerships for mutual prosperity and sustainable growth. The investment aligns with DFAT policy frameworks, including the *Australia-Indonesia Development Partnership Plan 2024-2028*, which prioritises climate resilient communities, clean energy transition, and quality infrastructure development.

Supporting Indonesia's accession to the OECD is a priority for the Australian Government. 'Investment in quality infrastructure in a transparent, accountable and inclusive way' is one of the seven key policy areas which will undergo in-depth review by OECD as part of Indonesia's Roadmap for OECD Accession. This investment will be well placed to support Indonesia to meet the OECD standards required for membership. The design anticipates potential use of non-ODA funds to continue and extend the partnership in future years.

The investment supports Australia's *International Development Policy* emphasis on increasing climate investment, better addressing climate risks and locally led development. It contributes to the implementation of *Invested: Australia's Southeast Asia Economic Strategy to 2040*, particularly in catalysing early-stage project preparation, unlocking private capital, and supporting the clean energy transition. The Partnership also advances Australia's *Gender Equality and Women's Empowerment Strategy* priority to deliver gender equitable climate action and humanitarian assistance and promoting inclusive infrastructure that benefits all users while creating meaningful leadership, employment, and business opportunities for women and under-represented groups in infrastructure

planning and decision-making. The partnership will work with local actors and organisations to pursue localisation as part of Australia's development policy.

**The program supports Indonesia's *Long Term Development Strategy 2025–2045 (RPJPN)* and Indonesia's ambition to achieve high-income status while addressing its USD1.3 trillion infrastructure investment gap by 2040.** It responds to Indonesia's acute infrastructure and climate financing challenges, climate vulnerability, and ambitions for economic transformation. Indonesia is the world's eighth-largest greenhouse gas emitter, and its infrastructure development remains heavily reliant on state-owned enterprises, with limited private sector participation due to market constraints. The program will help address these challenges by building a stronger enabling environment for private investment, mobilising diverse financing sources, and supporting energy transition. The investment will deliver development outcomes across economic growth, poverty reduction, climate change adaptation and mitigation, improved governance, and inclusive service delivery. The investment will support activities with a primary climate change objective and will also integrate low emissions approaches, climate and disaster risk resilience and co-benefits (i.e. nature-based solutions) across the portfolio. It will foster equitable access to infrastructure services, create leadership and employment opportunities for women and marginalised groups, and ensure climate and social and environmental safeguards are integrated into project design and financing decisions.

### ***Coherence with bilateral and regional programs***

**The Partnership will collaborate with other DFAT programs to amplify impact.** Given the strong alignment between PROSPERA and the Partnership's work areas, these programs offer significant opportunities for strategic collaboration while requiring careful coordination to ensure complementary rather than duplicative efforts.

The new PROSPERA program will complement the Partnership by working with Indonesia's central economic agencies to promote green fiscal policies that help build an enabling environment conducive to green investment. This will include leading on policy and regulatory reform relating to sustainable finance and carbon markets and pricing.

Synergies and opportunities for collaboration between the Partnership and PROSPERA are incentivised through connection between the Partnership's IO4 and PROSPERA's IO5 (Partner GOI agencies increasingly promote, adopt and implement economic climate policies that enable Indonesia, including the private sector, to seize the opportunities of the green economy and energy transition). DFAT will lead on facilitating formal coordination between the two programs to identify potential overlap (and delimit roles and responsibilities) and areas for collaboration. Close coordination on GOI partner's asks will be vital. Contract incentives will facilitate collaboration, and a strategic engagement and alignment workshop will be used in the Inception Phase to clarify intersections, including with shared GOI partners, and tools to manage these. For instance, a joint G2G Support and Collaboration Framework may be useful. During implementation, the TAG will support DFAT to ensure alignment and complementarity, and there may be opportunities for PROSPERA and the Partnership to co-fund consultant expertise, research and analysis or other inputs in areas where there is mutual benefit.

There are also potential intersections with programs such as SIAP SIAGA, SKALA (Synergies and Collaboration for Basic Service Delivery Acceleration), and INKLUSI (Australia-Indonesia Partnership Towards an Inclusive Society) which work at the local level with potential to intersect with the program's support for local level planning, financing and funding of infrastructure projects. Potential areas for coordination and/or collaboration with SIAP SIAGA, SKALA and INKLUSI will be identified on a case-by-case basis through DFAT's internal program management structures.

Regionally, the Partnership will explore opportunities to leverage Australia's Partnerships for Infrastructure Phase 2 (P4I-2) program on regional and intra-ASEAN infrastructure, connectivity, and climate. This includes P4I's expertise in regional market sounding and demand-driven approach to government-to-government and business-to-government partnerships.

### *Using Australia's development finance toolkit to create end-to-end solutions*

Meeting Indonesia's development needs requires a combination of financing tools as its development challenges, investment climate, and financial markets evolve, and domestic public resources remain limited. Blended finance helps to bridge market gaps including lack of collateral, lack of demonstrated history of investment returns, large minimum investment size, long investment time horizons, and high information asymmetry, risk, or transaction costs.

**The Partnership draws on Australia's portfolio of development finance mechanisms to address challenges that cannot be solved through grants alone.** This includes bringing current arrangements with Australian Development Investments (ADI) and the Private Infrastructure Development Group (PIDG) under the governance mechanisms of the Partnership. ADI is Australia's flagship AUD250 million impact investment fund making early-stage and concessional investments into Indo-Pacific funds that finance climate and gender-focused SMEs, particularly in rural Indonesia. PIDG is a multilateral initiative that uses public finance to help early-stage projects overcome financial, technical and safeguards challenges to become investment-ready. The KINETIK's Affirma Capital Climate Transition Fund launched in July 2025 (AUD50 million cornerstone investment from Australia through PIDG) will drive private sector investment in climate-related projects in renewable energy, waste management, sustainable transport, and water treatment projects.

**The Partnership supports strategic coherence with Australia's suite of financing tools to create end-to-end solutions and deliver investment at scale.** The Partnership complements Australia's 'Deal Teams' and Export Finance Australia's (EFA) infrastructure powers, including the AUD2 billion Southeast Asia Investment Financing Facility (SEAIFF) to boost trade and investment, particularly in Indonesia's clean energy transition and infrastructure development. The Partnership builds on emerging work that leverages KIAT's knowledge and networks to shape project pipelines and create investment-ready opportunities in coordination with the Deal Teams and Austrade. This approach creates end-to-end solutions linking upstream policy development support with downstream financing and implementation.

**The Partnership can 'crowd in' additional private capital investment through multilateral investment vehicles, wholly Australian-owned entities, direct government support for private transactions, and domestic Indonesian financing vehicles.** Beyond ADI and PIDG, the Partnership's indicative AUD100 million in earmarked investible capital can be channelled through a range of options including MDBs, DFIs (see section on 'Other Development Partners') or innovative financing (e.g. Impact Investment Exchange's Women's Livelihood Bond). The Partnership can also explore engaging with Indonesian special mission vehicles (e.g. PT Sarana Multi Infrastruktur (PT SMI)) catalysing private investment and supporting a localisation approach to development.

### *Leveraging Australia's comparative advantages in government-to-government and business-to-government linkages*

Government-to-government and business-to-government partnerships that support Indonesia's infrastructure development create valuable opportunities for collaborative learning and relationship-building, enabling Australia and Indonesia to share experiences, best practices, and innovative approaches to common challenges. Australia brings significant expertise in public-private partnerships, renewable energy integration, and resource infrastructure development that can complement Indonesia's climate and infrastructure ambition.

Peer-to-peer knowledge exchange and capacity-building initiatives led by APS agencies working on climate and infrastructure issues have to date contributed to strong institutional partnerships with Indonesian counterpart agencies. For example, a DCCEEW Counsellor position in Jakarta has expanded technical cooperation on clean energy transition between DCCEEW portfolio agencies and Indonesian counterparts. CSIRO provides detailed economic impact modelling on the impact of climate change on Indonesia's infrastructure and vulnerability assessments for the national road network to identify climate-proofing measures; Sydney Water and Queensland agencies share water utility regulation and management expertise through Australia Award classes with Indonesian counterparts; Infrastructure NSW contributes decarbonisation experience through Indonesia's GHG Emissions Reduction program, sharing insights from NSW's sustainability initiatives; and Victoria's transport agencies facilitate knowledge exchange with Indonesia's highway and toll road authorities on operational approaches and regulatory best practices. Australia's comparative advantages will continue to be utilised under

the Partnership through selective utilisation of government-to-government and business-to-government partnerships, where supported by evidence that this is the most efficient and effective modality.

### *Shaping Multilateral Development Bank effectiveness and financing*

#### **Asian Development Bank (ADB)**

ADB is major provider of high-quality finance to Indonesia, where much of its USD7 billion portfolio is directed to infrastructure, including energy transition. ADB is also instrumental in crowding in investment from other quality lending institutions from Japan, Korea and Germany. A strong ADB presence plays a key role in advancing Indonesia's interests (and our own) of both lifting and diversifying its investor base in strategic sectors while helping to close the country's large infrastructure and clean energy finance gaps.

The ADB will be a key delivery partner under the Partnership, building on DFAT's longstanding infrastructure funding support including through the recent SIAP2 initiative, which has leveraged USD7.31 billion in lending and co-financing as of December 2024. SIAP has supported 31 ADB infrastructure loan programs (10 completed, 16 ongoing, 5 proposed), delivering significant flow-on benefits from Australia's broader KIAT-supported policy reform, capacity building and pipeline planning work. Australia will continue to partner with the ADB in Indonesia, and the scope of work will expand to leverage both ADB's sovereign and non-sovereign operations, including private sector financing expertise. The ADB will be expected to align its reporting to the Partnership and participate in Partnership planning, review and monitoring and evaluation events.

#### **World Bank (WB)**

The Partnership will also work closely with the World Bank, including through the Australia – World Bank Indonesia Partnership Phase 2 (ABIP2) that supports GOI with infrastructure development (among other themes). ABIP2 activities such the proposed activity on renewable energy integration scale-up has strong linkages with the work of the Partnership. DFAT's Jakarta-based ABIP team drives strong cross-team internal coordination and consulting mechanisms that provide opportunities for the Partnership to influence ABIP2 activity planning in similar areas of work.

The Partnership may also contribute to a new climate-themed World Bank Multi-Donor Trust Fund currently under development. Subject to design and approvals, this trust fund may provide an efficient and effective opportunity to leverage finance in support of Indonesia's green economic growth through nature-based solutions for sustainable lands and oceans. This would build on Australia's current partnership with the World Bank and Norway on sustainable landscapes management, which supports improved governance and financing for the protection of mangroves and other critical landscapes.

### *Complementarity with other development partners*

Germany brings both ODA and blended financing mechanisms to focus on three priority areas: clean energy, environmental protection and technical and vocational education and training. Germany's flagship investment is a USD2.1 billion green funding agreement with PT PLN, through the German state development bank *Kreditanstalt für Wiederaufbau* (KfW) that will invest in the Pumped Storage Hydroelectric Power Plant and the transmission network to connect green power plants. KfW engages with Jakarta Post when identifying projects with potential to be funded through the German development bank.

The UK works in a range of sectors including low carbon growth and energy transition. Small ODA grants support capital asset development including through leveraging additional public and private finance such as nature finance and support for capital projects in renewable energy generation in remote areas. The UK also provides technical advice for policy reform to enable Indonesia access finance from commercial partners, access innovative climate finance and develop carbon pricing mechanisms. The withdrawal of USAID's programming includes significant infrastructure investments made through Millennium Challenge Corporation's Indonesia Compact, as well as the leadership role and 20% commitment for public fund component of the USD21.6 billion JETP. The latter is now led jointly by Japan and Germany.

*Gender equality, climate change, and cross-cutting themes are outlined in Section H.*



## E. Proposed Outcomes and Investment Options (What?)

The Partnership will support Indonesia's efforts to deliver sustainable infrastructure, drive green economic growth, and support low emissions and climate resilient development.

The Partnership will support GOI to achieve its objectives to access a broader mix of public, private and climate finance to respond to the country's growing infrastructure and climate resilience needs. It will ensure projects are planned, delivered and maintained in ways that are inclusive of local communities – especially women, girls and people with disability. By supporting more sustainable and inclusive green growth in Indonesia, the Partnership will create new trade and investment opportunities for Australia and strengthen our shared economic future.

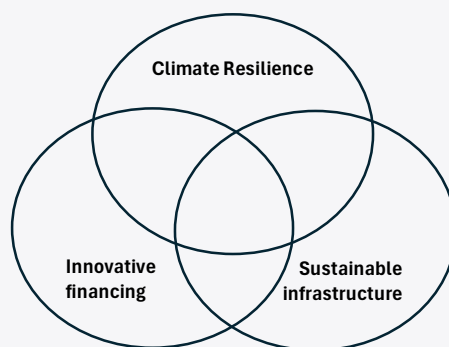
The **Development Objective** of the program is:

To support Indonesia's use of infrastructure and climate resilient development as a driver for inclusive green economic growth that responds to the challenges and opportunities of climate change, with high quality finance that optimises national fiscal capacity and private sector investment.

The **Strategic Objective** for the program is:

To strengthen the economic partnership for inclusive green growth, including through boosting trade, investment opportunities with Australia and others, and expanding cooperation on climate change.

The program has three inter-related **End of Program Outcomes**:



1. **Climate resilience:** Investments from government, private and community actors increasingly contribute to climate mitigation and adaptation in Indonesia.
2. **Innovative financing:** The Government of Indonesia increasingly uses diverse, innovative and high-quality financing for investment that support Indonesia's inclusive, climate resilient development.
3. **Sustainable infrastructure:** The Government of Indonesia delivers sustainable and resilient economic infrastructure (particularly in water, transport and energy) that meets the needs and expectations of the communities, including women, people with disabilities and marginalised groups.

### *Adaptive and responsive design*

The investment will encompass a portfolio of Activities and Projects implemented by a suite of GOI Agencies and Delivery Partners, working in an integrated, coherent and collective manner to influence the ecosystem of financing and funding for infrastructure and climate-related program planning and delivery.

The design is underpinned by the following key strategies:

- Positioning Australia as a trusted, credible partner, working toward mutual objectives.
- Embracing complexity and appropriately managing risk, and being adaptive and flexible to respond to emerging issues and priorities from both GOI and GOA.
- Future-proofing for significant policy shifts and political opportunities and constraints, and for external shocks.
- Adopting a long-term perspective, because deep lasting change takes time, the project lifecycle can be protracted to see results, and Australia will continue to have long term strategic interests regardless of short-term ODA constraints and policy priorities.

- Considering sustainability as central to programming approaches, so the program will localise over time, ensuring key program approaches and activities are integrated into GOI systems and approaches.
- Leveraging all of Australia's capability and tools relevant to the broader ecosystem and political economy, including embracing regional and global investments, mechanisms and resources.

### *Design framework*

The design framework comprises:

- i. a set of overarching objectives and common approaches (the Program Logic)
- ii. development of a balanced portfolio of Activities and Projects, implemented by different parties, each of which has their own set of individual outputs and objectives, but which are linked, integrated and contribute to Partnership-wide outcomes (particularly in three focus sectors)
- iii. a suite of capabilities and services that will be provided across the Partnership by a suite of Delivery Partners
- iv. two cross-cutting themes with Partnership-wide strategies and application
- v. a common monitoring, evaluation, reflection and learning approach (MERL) where Delivery Partners report on individual Activities and Projects in a manner that enables analysis of Partnership-wide outputs, IOs and EOPOs.

### *Delivery approach*

The Partnership will be delivered by a set of Delivery Partners operating under the common design and MERL approach, supported by a Primary Contractor. Delivery Partners will be reviewed over the life of the Partnership to ensure they remain fit-for-purpose, with the flexibility to amend as required. The initial Delivery Partner structure comprises:

- **Primary Contractor:** Overall portfolio and Partnership-wide responsibilities, technical services, and advisory support
- **Financial Markets Advisory Partner and Lead NGO Partner:** Specialist advisory and community engagement services under the auspices of the Primary Contractor
- **Asian Development Bank:** Technical, analytic and research services, and loan preparation in agreed sectors under direct Grant Agreement
- **World Bank:** Complementary technical, analytic and research services, and loan preparation services, including under the Australia-World Bank Indonesia Partnership (ABIP) Agreement
- **Australian Development Investments (ADI) and Private Infrastructure Development Group (PIDG):** Investment and financing services under existing Head Agreements
- **APS Agencies:** Department of Climate Change, Energy, the Environment and Water (DCCEEW) and others will contribute government to government linkages and expertise as requested by the GOI.

The DFAT team at Post will have policy and strategic oversight, policy engagement, and technical coordination functions across the Partnership. This role will be supported by a **Technical Advisory Group (TAG)** that will provide direct advisory support to DFAT, operating independently of the Partnership. The TAG will provide independent infrastructure, climate, energy, financing, digital and GEDSI advice to DFAT as required. It will increase contestability by enhancing DFAT's ability to both oversight the Primary Contractor's technical engagement and review key program outputs and evaluations; promote program transparency and accountability; foster cross-program visibility, coordination and alignment; support adaptive program management; and help build DFAT staff capability on key sectors through ongoing engagement.

### *Capabilities and services*

The Partnership is flexible and responsive, supporting the GOI and other stakeholders achieve their climate, infrastructure, and financing priorities, as agreed through the Activity and Project screening, selection and approval process. The set of indicative Delivery Partners identified above is based on a set capabilities, expertise and skills that are likely to be required to address ecosystem constraints and take advantage of opportunities. This also provides the parameters for Activity and Project identification and selection, and for the policy engagement of DFAT and others in the negotiation of planning and activity identification.

Services that may be required and will be available from across the indicative set of Delivery Partners include:

1. Policy, regulatory and advisory services on infrastructure planning, finance and governance
2. Institutional strengthening and capacity building support
3. Over the horizon research, policy analysis and advocacy
4. Project preparation technical services (feasibility, financial analysis and structuring, etc)
5. Loan preparation
6. Financial and investment services, including Fund Management, oversight and reporting
7. Transaction Advisory technical services
8. Technical services to support Project implementation and supervision
9. Community engagement and civil society sector strengthening
10. Coordination, collaboration and stakeholder engagement
11. Knowledge management, monitoring and evaluation, and research
12. Gender, disability and social inclusion advisory, training and support services
13. Climate policy and technical services on mitigation, adaptation and resilience (including climate and disaster risk analysis and assessment) and sustainable, green and climate finance.
14. Risk management
15. Financial management for program management and grants oversight
16. Contract and Agreement management
17. Government to Government (GOA/others) partnership development and implementation support
18. Communications and public diplomacy
19. Policy dialogue, both formal and informal
20. Program planning, management and operations.

During implementation, these roles and responsibilities may be refined and a broader range of subcontractors is likely to be procured by both the Primary Contractor and other Delivery Partners in order to deliver Activities and Projects. This may include partnerships with:

- Universities, think tanks and institutes
- NGOs and CBOs
- Individual consultants and advisers
- Consulting firms and entities for technical services

It is not anticipated that the Partnership will directly implement infrastructure construction or delivery, unless separately planned and approved by DFAT.

### ***Theory of Change and Program Logic***

The program logic represents the following understanding of how change will happen through the investment:

**IF** delivery partners work collaboratively through targeted activities that address key barriers to climate-resilient development (including policy and regulatory fragmentation, institutional capacity gaps, limited access to finance, lack of infrastructure)

**AND** this coalition of delivery partners supports both upstream systems reform and downstream delivery of bankable and climate resilient projects, particularly in focus sectors

**THEN** Australia can help shape Indonesia's climate and infrastructure investment environment by building government capacity, mobilising public and private capital, and increasing the availability of investment-ready, inclusive, and sustainable projects.

**AND** these efforts will contribute to a more coherent GOI reform agenda, strengthened market confidence, and an improved pipeline of projects that align with Indonesia's and Australia's shared climate and development priorities.

**RESULTING IN** a more inclusive and climate-resilient economy in Indonesia, with increased access to climate finance, expanded participation of underrepresented groups in the green economy, and progress towards other financing models over the medium to long term.

The program-wide **Outputs** of the program represent the role that major stakeholder groups will play in the program, reflecting the changes in behaviours, actions and performance that the program will bring about. Each Delivery Partner will be expected to report against their progress in delivering on this intent (their own ‘key objective’) in their regular reporting. These include:

1. **GOI pursues innovation (including use of AI and digitisation) across the public sector and throughout the infrastructure lifecycle, to accelerate transition to market-driven low emissions, climate and disaster resilient investment.**
  - Led by the Primary Contractor, working with GOI Agencies
2. **Private sector actors increase confidence and risk appetite for investment opportunities in Indonesia.**
  - Led by private sector entity Delivery Partners, eg ADI, PIDG, Financial Markets Advisory contractor
3. **Civil society engagement strengthens demand-side certainty (viability and feasibility) in infrastructure and climate investments.**
  - Led by CBOs and other grantees (coordinated by the Lead NGO Partner), with Primary Contractor support
4. **Multilateral Development Banks and development financing institutions enable the GOI to leverage high quality finance for sustainable infrastructure and investment in climate mitigation and adaptation.**
  - Led by MDBs and DFIs
5. **Stakeholder coalitions promote policy and regulatory reform that is inclusive, responds to market interests, and promotes green growth.**
  - Led by Primary Contractor

The two **cross-cutting themes** will be implemented in common by all Delivery Partners. While they are fully integrated into the Program Logic, they also have distinctive implementation arrangements that complement the integrated effort on the three focus sectors. The two themes are:

- **Gender, Disability and Social Inclusion:** In addition to the efforts on community participation across the infrastructure eco-system, there will be a grants scheme implemented by a Lead NGO reporting to the Primary Contractor in order to complement and progress a transformative GEDSI approach.
- **Automation and digitalisation (including AI):** A complementary body of work focused on digitalisation as a primary objective will complement the efforts of all Delivery Partners to integrate this as a cross-cutting theme across the portfolio.

Each of these thematic areas will have a lead specialist embedded in the Primary Contractor, a separate budget allocation, and an Engagement Framework to be used as the basis for a baseline, targets, ongoing reporting, and analysis (included in the MERL Framework).

The **Intermediate Outcomes** of the program represent the system-wide changes necessary to achieve medium and longer term impacts. They include:

1. Indonesia's policy and regulatory environment promotes low emissions and climate and disaster-resilient development with bankable projects that are increasingly attractive to investors.
2. Stakeholder organisations incorporate transformative gender and disability inclusion practices in climate-resilient and infrastructure development planning, financing, and delivery.
3. Indonesian agencies and the private sector increase use of digital technology and automation (including artificial intelligence) in infrastructure and climate resilient development.
4. Financial and capital markets<sup>88</sup> catalyse investment in inclusive green growth by responding to innovative, sustainable and climate finance opportunities.
5. Australia and Indonesia's bilateral partnership supports a transition from ODA grants-based mechanisms to alternative development financing.

The Primary Contractor will establish a portfolio-wide MERL system to analyse the progress and status of these IOs over time.

<sup>88</sup> An alternative may be ‘Private Sector Enterprises catalyse investment in ....’ Depending on final discussion with PROSPERA on a possible joint IO



**Sector Engagement Strategies** will be developed for the three focus sectors. These strategies will have a specific program logic identifying key entry points and strategies for change, as well as expected outcomes and results, linked to the program-wide logic Outputs and Intermediate Outcomes.

This is represented in the summary Program Logic by process and sector outcomes linked to the RPJMN (National Medium Term Development Plan):

**BAPPENAS, Ministry of Finance** and relevant line Ministries access customised policy, technical and financial assistance to address strategic priorities.

GOI Ministries and Agencies for each focus area include:

**Clean energy transition:** Ministry of Energy and Mineral Resources, PLN, National Energy Council

**Water, Sanitation and Waste Management:** Ministries of Public Works, Health, Home Affairs, Environment, Energy and Mineral Resources, Industry

**Sustainable Infrastructure:** Ministry of Public Works, Ministry of Transport

**Sector outcomes:** Government of Indonesia implements transformative reforms in line with the National Medium Term Development Plan (RPJMN) in key focus sectors that contribute to targeted outcomes including:

- Increased self sufficiency on food, energy, and water as pillars of sustainability to strengthen global competitiveness, including low carbon development, circular economy and green economy transformation
- Improved quality, just, resilient, and sustainable infrastructure development supporting delivery of basic services, including integrated upstream to downstream waste management reform
- Better integrated infrastructure to increase access, reduce logistics cost, and strengthen connectivity, including developing connectivity and multi-mode transportation service, increasing digital connectivity and electricity transition, and reducing disaster and climate risk.

## F. Implementation Arrangements (How will DFAT engage?)

### *Program-wide implementation*

All Delivery Partners will work to deliver the program in a coordinated and coherent manner in accordance with the following arrangements:

#### 1. A common Partnership-wide approach to Activity and Project selection builds an optimised portfolio for low-emission and climate and disaster-resilient development.

- An 'optimised' portfolio is one where synergies are optimised across Activities and Projects in the same sectors and sub-sectors, whereby different Activities and Projects are addressing differentiated parts of the eco-system and political economy. Activity selection, and M&E arrangements, will identify these linkages. An indicative budget allocation represents the appropriate balance anticipated (see section I *Budget and Resources*).
- Minimum Activity Selection Criteria will be consistently applied by all Delivery Partners, with additional criteria and dimensions to be included that draw on each Partner's comparative advantage, accountabilities and policy and program priorities. The minimum criteria will include:
  - I. Alignment with GOI development plans and priorities
  - II. An objective to mitigate, or to adapt and build resilience to, climate change through (one of);
    - Reduction in GHG emissions or increased efficiency in GHG emissions<sup>9</sup>
    - Increased resilience to climate change and disaster risks (adaptation)
    - Resource efficiency (circular economy) with significant co-benefits for one of the three points above
    - Environmental conservation, management, nature-based solutions or green design with significant co-benefits for one of the three points above
  - III. Alignment with relevant GOA policies and interests

<sup>9</sup> Used for industry, construction methodologies etc. For energy production the previous criteria would apply.

- IV. Opportunities to improve the enabling environment for PPP and mobilise private sector financing and investment and/or other innovative modalities
- V. Opportunities to leverage other DFAT investments
- VI. A clear output/objective to mitigate, adapt and build resilience to climate change
- VII. Opportunities to optimise GESDI-related outcomes
- The initial screening process used by all partners will include:
  - I. A feasible line of sight to previous or prospective follow up activities and demand across the lifecycle
  - II. Evidence of consultation and information about linkages to other Delivery Partners and other development partners' activities and efforts
  - III. Consideration of relevant geographic targeting and prioritisation for each sub-sector
  - IV. Initial GESDI analysis undertaken demonstrating consideration of equitable participation and benefits
  - V. Initial climate change analysis demonstrating consideration of opportunities and risks for climate mitigation, adaptation, disaster risk reduction and resilience (mainstreaming of climate change).
- Each Delivery Partner will have additional and specific selection criteria relevant to their role in the program. Delivery Partners may be provided with delegated authority to approve individual Activities and Projects once the selection process and funding allocation has been endorsed by DFAT each year, apart from Activities and Projects rated as high risk, or those proposed that are outside the core mandate, criteria or scope of the Partnership, when they will require specific endorsement from DFAT.

## **2. The diverse range of Delivery Partners works together with differentiated capability and networks to shift dynamics across the infrastructure ecosystem.**

- A range of Delivery Partners are required to bring the set of capabilities, positioning and influence required to work with key stakeholders and have impact across the ecosystem.
- A Partnership Charter will be developed and agreed to establish ways of working, communications and collaboration points, as well as monitoring and evaluation arrangements in common, and Delivery Partners will convene regularly through a Partnership Coordination Committee.
- Technical Working Groups and Communities of Practice will be established for individual advisers, GOI officials and other stakeholders to engage on issues of common concern and interest.

## **3. End-to-end engagement in focus sectors generates locally-led solutions with wider application (water, sanitation, and waste management; transport; energy transition and renewables).**

- A set of core focus sub-sectors will ensure an end-to-end engagement from policy and regulatory work, through project preparation, financing and delivery in key infrastructure assets. This will enable identification and resolution of system-wide constraints and challenges that can have broader impact over time. While all Partners will be involved the core focus areas, the program will be flexible in each of the domains (infrastructure, climate and financing) to respond to GOI requests and emerging priorities, while still adopting the program-wide activities and outputs and contributing to common outcomes.

The core focus areas (for integrated, end-to-end engagement) include:

- Water, sanitation and waste management
  - Transport (public transport, multi-modal hubs, energy transitions and urban connectivity)
  - Energy transition and renewables
- A Sector Engagement Strategy will be developed for each sub-sector, with the appropriate stakeholder mapping, political economy analysis, clear policy objectives and outcomes, and roles of different Delivery Partners under the program, including DFAT policy engagement roles (*See Policy Dialogue section*). These will be initially developed by the Primary Contractor, with input and collaboration from other Delivery Partners and DFAT.

Other sub-sectors relevant to each of the domains, eligible for assistance under the program, are included in Annex 1.

**4. People (including women, people with disabilities, and marginalised groups) are more genuinely involved in climate resilient development, including the infrastructure lifecycle and financial markets.**

- A program-wide Strategy for GEDSI will be adopted by all Delivery Partners. This will include an approach to progressing participation of women and men and systemic reform towards a more transformative gender approach, and providing a basis for ongoing M&E and analysis of progress.
- Community grants and support for OPDs and women's organisations, as well as other local CBOs, along with technical support and training, will enhance the participation of local communities in infrastructure planning and development, particularly affecting the willingness-to-pay and feasibility of major projects.
- The Community Grants scheme will be developed and managed by the Lead NGO Delivery Partner, under the auspices of the Primary Contractor. An Operations Manual will be prepared and approved by DFAT.

**5. Use of a broad range of financing modalities and actors strengthens supply-side market accessibility for prospective projects.**

- The Partnership will include private sector entities as Delivery Partners, as well as strengthen engagement with the private sector in all Activities and Projects from the initial screening and selection stages.
- This intended to change the dynamic of activity identification and problem definition, as well as identify new opportunities for engagement and innovative approaches.
- A broad range of financing mechanisms will be made available under the program, including private equity, loans and investments (utilising PIDG and ADI), climate finance (green and sustainable finance, bonds and carbon credits) and other innovative financing mechanisms.
- Governance and operational arrangements will afford opportunities to engage private sector views and perspectives for ongoing strategic and policy direction of the investment.
- The Financial Markets Advisory (FMA) Delivery Partner will provide ongoing advisory and analysis for the program that contributes to the Sector Engagement Strategies, and provides input and analysis for the MERL Framework. The FMA Delivery Partner will develop and support the preparation of analysis and recommendations for further capital injections into vehicles and mechanisms, including grant schemes for SMEs, short courses and training Activities, that support the ambition to influence financial and capital markets. A thematic Engagement Strategy for innovative financing will be developed by the FMA Delivery Partner and Primary Contractor, with input and engagement from all Partners for approval by DFAT.
- The budget includes an allocation of AUD100 million capital investment in financial mechanisms (such as ADI, PIDG, other international or local financial institutions), with the expectation of some frontloading of this capital investment from year 2 to year 7 of the Partnership (depending on internal budget allocation and availability).

**6. Collaborative learning and feedback cycles supports adaptation and innovation (including use of digital technologies)**

- The MERL system will have features that enable a program and portfolio-wide analysis of impact.
- This includes a common structure for Activity and Project definitions and for their reporting, and collaborative efforts on reflection and insights on changes across the system related to program outcomes. Each Activity (a timebound set of tasks to achieve a deliverable) will have an output (deliverable) as its main purpose; a Project will have multiple deliverables (defined as outputs) with a clear Objective. All outputs and objectives will be coded and linked to the program-wide Outputs and Intermediate Outcomes for MERL purposes.
- Methodologies and processes will be introduced to gain insights from innovation and learning (*see Monitoring, Evaluation and Learning Section*), and collaborative reflection and learning events will be conducted with participation of all Partners and selected stakeholders.

**7. Policy engagement and public diplomacy supported by governance and management arrangements.**

- Policy engagement across the investment will be regarded as a function of all Partners, with DFAT (and others) having distinctive roles related to their positioning and convening power. Sector Engagement Strategies will include policy intent and objectives, stakeholders, political economy analysis, and roles and responsibilities of Delivery Partners. This will be the DFAT Post team's primary management tool for program monitoring and oversight, with Activity and Project management delegated largely to the

Primary Contractor and other Delivery Partners, apart from high risk Activities and Projects (including any with limited line of sight to Program outputs and Intermediate Outcomes).

- A dedicated Communications function will be embedded in the Primary Contractor to support all Partners efforts on public diplomacy, with direct links to the DFAT Post Public Diplomacy and management teams.

### *Scope and geographic targeting*

While the investment has a broad scope of intent reflected in the End of Program Outcomes, the design and management arrangements are structured to result in a set of integrated, coherent and interdependent activities that work together to achieve impact. Key features of the arrangements to achieve this include:

- An ‘outcome’ and ‘principles’ driven design which has a strategic approach and clear intent to guide decision making and behaviour when selecting Activities and Projects. Building a collaborative partnership and learning culture is critical to effective decision making by all parties.
- A clear set of core focus sectors, with common Activity and Project selection criteria, and delegated authority within clear boundaries of Sector Engagement Frameworks to incentivise focused planning
- An overall budget allocation providing guidelines for Activity and Project selection and funding availability (limiting discretion for activities marginal or out of scope)
- An intent to work end-to-end and join up Activities and Projects with others in the design/planning stages
- An emphasis on leveraging other funding sources (particularly private sector financing) so that few activities are ‘stand-alone’ or not scalable.
- Strong governance and decision-making systems to impose discipline and focus.

### *Location and targeting*

As a demand-driven responsive program Activities and Projects will emerge over time, in selected locations that build an inter-connected portfolio. This enables judgement to be made about following opportunities in the political economy, being market driven and realistic about financing opportunities, while balancing the need to respond to locations most vulnerable to climate change and address the needs of people most affected while identifying the most significant opportunities to reduce emissions and achieve low carbon development using financing and infrastructure. As part of the ‘balanced portfolio’ the Primary Contractor and other Delivery Partners will be mindful of addressing local government and communities priorities across Indonesia, with efforts needed at central and Provincial levels and in heavily populated centres where financing for development is more likely to be feasible. This will be a significant focus for DFAT monitoring and reporting in the MERL system.

### *Governance arrangements and structure*

Governance of the investment operates at several levels that acknowledges the breadth and scope of the program and the participation of Delivery Partners, and multiple central and line Agencies of the GOI.

A formal bilateral **Program Steering Committee (PSC)** between Australia and Indonesia will provide strategic and policy oversight of the program. This will be jointly chaired by the Australian Embassy and Government of Indonesia. Participants will include representatives of other key GOI Ministries. The PSC will meet annually and endorse the Annual Plans (of all Partners) and Reports. The Primary Contractor will operate as Secretariat for this formal meeting.

An operational multi-stakeholder **Partnership Coordination Committee (PCC)** will provide operational direction, planning, review and learning for the program. Participants will include senior representatives of all Delivery Partners participating in the program, including representatives from Disabled People’s Organisations. The PCC will meet six monthly. The Primary Contractor will function as Secretariat for this meeting. Partners will report on progress, lessons and issues arising. The **Partnership Charter** will form the basis for agreed ways of working, and will be reviewed and adapted at this meeting. The meeting may have an independent facilitator or Partnership Broker. A set of **Technical Working Groups** for each core sector of the program will provide more opportunities for the GOI line Ministries, Delivery Partners and sub-contractors to engage on specific Activities and Projects of the program, and will advise on priority Activities and annual planning.

Governance of individual Partner relationships may also be influenced by existing formal arrangements in place or required by the parties. This will include:

- **Annual Dialogue** between DFAT and the ADB (encompassing ADB's role in this program, but also other ADB/DFAT engagements). Outstanding operational issues from this program may be elevated to this engagement.
- **Annual Dialogue** between DFAT and the World Bank (including ABIP and other engagements).
- **Quarterly Partner Progress Meeting** (and annual assessment) between DFAT and the Primary Contractor. This will be a bilateral meeting between DFAT and the Contractor Representative, including review of progress, financial and contract performance and the risk register.
- Strategic and policy oversight of PIDG and ADI relationships are undertaken by DFAT Canberra. Jakarta Post will provide input and feedback to these processes as required.

## Management

Management across the investment operates at the whole of program level, at Delivery Partner level, and at the Activity and Project level.

**Whole of program level:** The Primary Contractor will have responsibility for supporting adaptive management, integration and coherence across the portfolio. Functions include:

- i. Developing guidelines for Activity and Project definition, structure, and reporting
- ii. Establishing common GEDSI and localisation strategy and approach
- iii. Ensuring adoption of common minimum standards for screening and selection of Activities and Projects, including a common climate change strategy and investment criteria
- iv. Establishing a common approach to MERL, with guidelines, that can be adopted by all Delivery Partners, with overall oversight of the Partnership-wide MERL approach, assessment and analysis against IOs and EOPOs, and ensuring that the MERL system supports adaptive management
- v. Establishing and reviewing the performance of the Partnership Charter
- vi. Communications and public diplomacy services for DFAT and all Delivery Partners
- vii. Establishing governance mechanisms and Communities of Practice in key sub-sectors.

At the **Delivery Partner** level:

The **Primary Contractor** will be responsible for delivering policy and regularly and technical advisory services in the capability areas specified in Attachment A, as agreed under the Contract Scope of Requirements. The Primary Contractor will also be responsible for contract and grant oversight and support for other Delivery Partners, including the Lead NGO Partner, Funds Management and Financial Markets Advisory Partner, and the TAG. The Contractor will also provide all contract and financial management, logistics, administrative, communications and secretariat services for program implementation.

The **Asian Development Bank** will be responsible for providing technical, analytic and research services, and loan preparation services, in agreed sectors and sub-sectors specified in the Grant Agreement related to their separately agreed Proposal. This relationship will be managed directly by Post.

The **World Bank** will provide complementary services under the ABIP Agreement (managed separately by DFAT Post).

**PIDG and ADI** will provide services in accordance with their mandates and Head Agreements with DFAT, and sub-Agreements (windows) as negotiated directly with DFAT. DFAT will manage these components directly from Post.

At the **Activity/Project level**, each Delivery Partner will have sub-contracts and grant agreements with implementing parties, who will report directly to them.



### *Early Activities*

Critical early activities include:

- i. Novating Contracts and Agreements for ongoing Activities and Projects from previous programs (to be provided by DFAT and previous Contractor in Completion Report)
- ii. Developing a Partnership Charter with all Delivery Partners
- iii. Establishing basic Activity and Project structure guidelines for MERL
- iv. Finalising and agreeing minimum screening and selection criteria
- v. Developing a timetable and then preparing the Sector Engagement Strategies that will feed in to a Policy Matrix with DFAT and Delivery Partner engagement (DFAT responsibility).

### *Policy Dialogue*

Policy engagement between Australia and Delivery Partners with the GOI is a central strategy of the program to achieve its intended outcomes. Key mechanisms to pursue policy dialogue include:

- The Program Steering Committee
- Technical Working Groups and Communities of Practice (where technical and operational resolutions are proposed).

### *Profile and Public Diplomacy*

The Primary Contractor will have responsibility for providing communications and PD support across the portfolio and directly for DFAT. A Communications Strategy will be developed in the inception phase, and will include:

- Website and other social media distribution channels
- Publications and media engagement
- Events
- High profile visits and missions
- International engagement opportunities (conferences, forums, intergovernmental meetings).

### *Branding and communications*

This Partnership will operate under the name KINETIK, expanding on the significant efforts to build this brand in Indonesia in recent years. The name also signals a step-change from a technically-focused approach taken under the KIAT facility to a more politically-engaged, climate-focused investment. In the lead-up to commencement of the Partnership, Jakarta Post will engage closely with GOI and other stakeholders to explain its scope, the KINETIK name and its relationship to previous programs.

The Partnership will incorporate existing KINETIK components and functions (with a transition period for some elements), including:

- climate finance investments in ADI and the Private Infrastructure Development Group (PIDG)
- KINETIK Hub functions that promote coherence between the financing and policy components of the program and advance GEDSI outcomes
- policy and regulatory efforts relating to Indonesia's clean energy transition (currently delivered by PROSPERA with KINETIK funding).

This approach and retention of the KINETIK name will enable DFAT to build upon the relationships and brand recognition associated with the original AUD200 million (2022-27) KINETIK investment announced by Prime Minister Albanese in 2022, while also enabling greater strategic and programmatic coherence in the years ahead.

### *Sustainability*

DFAT's substantial investments in infrastructure-related programs over the past two decades-plus have informed the design of the Partnership with respect to sustainability, along with more recent investments through KINETIK. While the program has some inherently high-risk aspects, the potential for rewards is significant by building on lessons learned and Indonesia's evolving frameworks for infrastructure and climate financing.

The Partnership intends to contribute to a more sustainable, market-driven ecosystem for infrastructure and climate financing, while aiming to support Indonesia's energy transition. Moreover, the Partnership will position Australia to continue its strong infrastructure and climate partnership with Australia beyond the horizon of

Indonesia transitioning towards a post-ODA context. The Partnership is a facilitator of stronger bilateral economic ties for the mutual benefit of Indonesia and Australia, as Indonesia moves towards OECD accession and graduates from ODA eligibility.

The sustainability of the program is of course dependent on some external factors such as the GOI's commitment to improving the overall enabling environment for infrastructure and climate financing, particularly for private sector investment. This design recognises the importance of working politically and factoring in political economy issues such as the role of SOEs and the political will to undertake energy policy reforms that advance the uptake of renewable energy sources.

The design includes a range of measures to ensure the sustainability of program outcomes, including:

- In providing strategic and policy oversight of the program, the bilateral Program Coordination Committee and Steering Committee will include sustainability issues and considerations as core functions and standing agenda items.
- At the operational level, the multi-stakeholder Partnership Coordination Committee will employ adaptive management across all program components, as knowledge is built, and conditions change.
- An ambitious localisation strategy will be developed in the inception phase, including transitioning project preparation support to the leadership and ownership of the best-suited GOI and other Indonesian entities. To the maximum extent possible, the program will seek to carry out activities through Indonesian implementing partners. This includes the GOI and SMVs, SOEs, the private sector, NGOs, educational and research institutions, and think tanks. As appropriate, activities will incorporate capacity building and empowerment of local leadership as key approaches.
- Within the suite of infrastructure planning, financing and delivery support activities, ongoing maintenance costs and management arrangements will be comprehensively incorporated into policy and planning.
- Promoting the mobilisation of innovative funding and financing sources, particularly in local currency, will support the development of more sustainable infrastructure and climate financing. The program will seek to cooperate to the maximum extent possible with local institutions including PT SMI, PT IFF and PT IIGF.

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

The approach to monitoring, evaluation, reflection and learning is central to the design of the program as a portfolio of Activities and Projects implemented by a range of Delivery Partners. The MERL system will enable individual Activities and Projects to have their own internal integrity, while linking them to program-wide Activities and program-wide outputs, and enabling an assessment of the impact of the program as a whole through the intermediate outcomes and end of program outcomes.

The MERL Framework has several elements:

- Activity and Project based data collection and reporting
- Partner based outcomes and performance
- Reporting of program-wide Activities and Outputs
- Monitoring of assumptions, risks, and changes in the political economy and context
- Use of GOI data for reporting on RPJMN outcomes in focus sectors
- Program-wide assessment of outcomes (IOs and EOPOs)

The methodology and approach for each element responds to key evaluative questions, and allocates responsibilities to the relevant Partners. This enables mixed method approaches to data collection, reporting and analysis. In addition, a small set of basic indicators will be developed at each level of the Program Logic to broader DFAT aggregation and reporting obligations.

The Primary Contractor is responsible for oversight of the program-wide MERL approach, supporting other Delivery Partners, and for undertaking the assessments and analysis across the Program against IOs and EOPOs. This function will need to be negotiated with each Delivery Partner, and for PIDG, ADI and other partners directly contracted or responsible to DFAT, negotiated by DFAT.

### *Activity and Project-based data collection and reporting*

Activity and Project data collection and reporting will be the responsibility of the relevant Delivery Partner. All Activities and Projects will be structured in the same manner across Delivery Partners so that the Primary Contractor can quality control, aggregate data, analyse and synthesise contributions to program-wide Activities and Outputs.

An Activity is a time-limited focused initiatives with one major deliverable (the output). A Project is a set of deliverables (outputs) that lead to a clear Objective which is a statement of outcomes and results. All Activity and Project deliverables and Objectives will be coded against the Program-wide Activity and Outputs of the program logic to allow aggregation of cost, sector, gender and disability disaggregation, GOI partners, and progress and performance.

Key Evaluative Questions
What Outputs (and Objectives) were delivered (the deliverables)?
What was the quality of the deliverables?
Were the inputs delivered on time and on budget?
What was the participation of men and women, people with disabilities? (including the Disability Equality Marker and disaggregated gender data), and what GEDSI Outputs and Objectives were progressed?
What was the cost and assessment of value for money?
To which program-wide Activities and Outputs did the deliverable contribute?
What was the utilisation and impact of the Activity/Project?

The relevant Delivery Partner and Primary Contractor will commission ongoing selected case study (DP) and thematic evaluations across the portfolio in areas of emerging interest, key learning, or significant results.

### *Partner-based outcomes and performance*

Each Delivery Partner will prepare six-monthly progress reports, which summarise the Activity and Project reporting during the reporting period, as well as undertake an ongoing longitudinal assessment against the relevant Program-wide Output. A baseline data set for each Output will be established at inception, with support of the Primary Contractor, and a suitable methodology developed for ongoing data collection and analysis.

Key Evaluative Questions
1. To what extent have GOI Agencies introduced and learnt from innovation in Activity and Project implementation?
2. What has changed in the level of private sector participation and confidence in investment opportunities in Indonesia?
3. To what extent and what ways are communities (particularly women and people with disabilities) more genuinely involved across the infrastructure lifecycle?
4. To what extent has the GOI attracted high quality finance from multiple sources with support from the MDBs in this period?
5. What policy and regulatory reform has been stimulated by stakeholder coalitions, responding to market interests and government priorities?

### *Reporting of program-wide Activities and Outputs*

The Primary Contractor will analyse and synthesise information from Delivery Partners on Activities and Projects, and provide a summary report each 6 months on program-wide progress. 'Engagement Strategies' for key focus sectors and for cross-cutting themes (GEDSI and automation/digitalisation) will provide the baseline against which narrative reporting can be made. The data presentation and analysis will address the following evaluative questions.



Key Evaluative Questions
1. To what extent is the balance of the portfolio optimised across domains (climate, finance and infrastructure) and sub-sectors?
1.b To what extent does the program address climate adaptation and mitigation?
2. To what extent is the program working in an integrated and collective manner?
3. To what extent is the program working effectively on end-to-end engagement in focus sectors (water, sanitation and waste management; transport and urban mobility; energy transition and renewables)
3b. To what extent is policy, reform, financing and performance changing in each sub-sector (water, energy, transport)?
3c. To what extent and in what ways is GOI progressing its ambition in renewable energy and meeting stated targets? To what extent and in what ways is the GOI addressing constraints and opportunities in waste management (and services provided by water utilities of clean safe water and sanitation)? To what extent and in what ways is the GOI addressing low carbon development in transport systems and urban connectivity)?
4. In what ways are engagement strategies (particularly adopting gender and disability perspectives) considered in all Activities?
5. What range of existing and innovative financing modalities are being utilised by the GOI and the program? (grants, loans, equity, investment, climate financing)?
6. What is being learnt from collaboration and innovation in MERL and feedback cycles? (including use of digital technologies)? How effectively are these learnings being integrated into decision-making and program adaptation?
7. To what extent is policy engagement and public diplomacy being undertaken across the program, and what change is being effected?

### *Program-wide assessment of outcomes (IOs and EOPOs)*

A major challenge for many programs is that analysis of outcomes is attempted by reviewing Activity and Project level information. For this program, specific methods and approaches for data collection and analysis at the outcomes level will be undertaken by the Primary Contractor, with participation from key stakeholders including the GOI and Delivery Partners, in order to provide a meaningful and ongoing review of impact (at Intermediate outcomes and End of Program outcomes level). This will require sufficient allocation of resources and personnel, well justified for a program of this scale and complexity.

The approach includes addressing the evaluative questions with appropriate methodologies as follows.

Key Evaluative Questions	Data Collection method
<i>Intermediate Outcomes</i>	
1. Is the GOI Public-Private Project Pipeline available and attractive to investors?	Ongoing review of GOI pipeline against baseline assessment
2. To what extent are Indonesian agencies increasingly adopting GEDSI transformative practices across the infrastructure lifecycle?	Ongoing longitudinal research, using case studies and program data, and independent research with CBOs
3. In what ways are Indonesian agencies and the private sector increasing the use of digital technology and automation (including artificial intelligence)?	Ongoing internal review, against the Thematic Engagement Strategy
4. How have changes in Indonesia's policy and regulatory environment affected financial capital markets to enable them to take advantage of innovative, green and climate finance opportunities in infrastructure development?	Longitudinal PEA analysis against baseline study using key data and metrics which can be replicated

<i>Key Evaluative Questions</i>	<i>Data Collection method</i>
5. How has Australia and Indonesia's bilateral partnership supported a transition from ODA grants-based mechanisms to alternative development financing?	Policy analysis and review of program performance, drawing on all reporting and information
<b>End of Program Outcomes</b>	
1. To what extent are economic investments from government, private and community actors increasingly contribute to reducing emissions and adapting to, and minimising the risks from, climate change?	Annual review of investment in Indonesia from all sources against the RPJMN, drawing on external sources including the GOI's NDC reporting
2. In what ways have the Governments of Indonesia and Australia increased utilisation of diverse, innovative and high quality financing for investment that support Indonesia's development?	Annual review of GOI infrastructure program, including domestic budget and financing, and external financing sources
3. To what extent does the GOI delivers sustainable economic infrastructure (particularly in water, transport and energy) that meets the needs and expectations of the community (women and men, boys and girls, people with disabilities and marginalized communities)?	Annual review of Indonesia's NDC reporting

### *Monitoring of assumptions and risks, and changes to the political economy and context*

As a program responding to complexity and an open systems approach, there are key assumptions and factors outside the direct control of the program which significantly influence the achievement of outcomes. Ongoing monitoring of the changes in the context is critical to good decision making at management and governance levels. The MERL framework includes the following key questions and methods for monitoring assumptions, risks and changes in the context.

<i>Key Evaluative Questions</i>	<i>Data Collection method</i>
<b>Assumptions, risks and changes in context</b>	
What changes are taking place in the political economy, related to the global and domestic economy, domestic political context, bilateral relationships, and international system that affect the delivery and performance of the program?	Rapid review of political economy and context each reporting period
What changes are taking place in the political economy, related to the global and domestic economy, domestic political context, bilateral relationships, and international system that affect the policy priorities and focus for the program?	Ongoing monitoring and review of political economy and context

DFAT has a primary role in this element of the MERL, using is internal engagement with the GOI, ongoing political and economic analysis, and engagement with key stakeholders as sources of information and analysis. Internal systems such as cable reporting, and regular governance and management mechanisms will be the primary tools utilised.

### *Sector Engagement Strategies and RPJMN outcomes*

Sector engagement strategies will have specific program logic and change pathways. At the whole of program level, the program contributes to the National Medium Term Development Plan outcomes in the focus sectors. The program will draw on the internal M&E and reporting systems of the GOI, utilising information from each of the participating GOI ministries and Agencies. Where requested, Activities to support the strengthening of GOI data and reporting systems may be supported through the selection and approval process.

<i>Key Evaluative Questions</i>	<i>Data Collection method</i>
To what extent did BAPPENAS, MOF and relevant line Ministries access customised policy, technical and financing assistance to address strategic priorities?	Annual consultation with each participating Ministry/Agency to seek feedback
To what extent did the GOI meet its RPJMN objectives of:	
Increased self-sufficiency on food, energy, and water as pillars of sustainability to strengthen global competitiveness, including low carbon development, circular economy and green economy transformation	Secondary analysis of GOI reporting on RPJMN progress
Improved quality, just, resilient, and sustainable infrastructure development supporting delivery of basic services, including integrated upstream to downstream waste management reform	Secondary analysis of GOI reporting on RPJMN progress
Better integrated infrastructure to increase access, reduce logistics cost, and strengthen connectivity, including developing connectivity and multi-mode transportation service, increasing digital connectivity and electricity transition, and reducing disaster and climate risk	Secondary analysis of GOI reporting on RPJMN progress

In order to implement this challenging MERL approach for a complex and large-scale program, the Primary Contractor will require a dedicated MERL team, with a lead specialist with significant experience in multi-method approaches. The MERL team will be required to train and support all other specialists in the PC Technical and Advisory team to develop the methods and undertake data collection and analysis as required; and to support other Delivery Partners in implementing the common approaches to Activity and Project structuring and basic data collection and reporting. The indicators of the MERL Framework (*See separate attachment, to be further developed in inception*) will be standardised by all Delivery Partners in Activity and Project planning as far as possible.

Several longitudinal studies will be commissioned to local research institutions to provide impartial and independent analysis (as indicated in the tables), funded as separately approved Activities under the Activity Cost budget allocation.

Attention will need to be paid to establishing the Engagement Strategies for the focus sectors and Thematic Areas, in order for baseline studies to be prepared. Considerable data sources and information is available from the previous programs as strong basis for this work.

The budget available for the MERL consists of the separate allocation for the TAG and DFAT costs, the internal Primary Contractor management costs associated with core staff and systems, and approved Activities and Projects identified and approved through the program life cycle for specific MERL tools, methods and processes which are sub-contracted to other parties. This is expected to be in the order of 7-10% of overall activity costs.

### **Key MERL Events and Deliverables**

The following key events and deliverables will be undertaken through the annual program cycle which integrate reflection and learning, with accountability and reporting:

- Quarterly reflections with Communities of Practice or Technical Working Groups, led by MERL specialists
- 6 monthly Delivery Partner reporting
- 6 monthly Partnership-wide reporting
- 6 monthly Partnership Meetings
- 6 monthly review and reflection (update of Policy Matrix)
- Annual Outcome Harvesting Report
- Annual Partnership-wide report
- Longitudinal studies, with real-time period reporting updates conducted by independent entities

- Communications and public diplomacy products in line with agreed Strategy and annual plan
- Annual INMR, Partner Performance Assessments (all Delivery Partners)

### ***Mid-term independent evaluation and Investment Completion Report***

An independent evaluation will be undertaken at the end of year 3 of the program to provide recommendations for extending the option from years 5-10 and to recommend program quality improvements and changes.

The Primary Contractor will prepare an End of Program Completion report in year 5, with input from all Delivery Partners.

## **H. Gender Equality, Disability Inclusiveness, Climate Change, and Other Cross-Cutting Issues**

### ***Gender equality***

The GEDSI (Gender Equality, Disability, and Social Inclusion) Strategy aligns with the GOI's commitments and strategic approach to embedding GEDSI principles within major policy frameworks for climate resilience, and infrastructure planning and implementation. It emphasizes how Indonesia's evolving financial investment landscape can facilitate mainstreaming GEDSI and climate change considerations, including leveraging contributions from Australia's private sector and academic institutions. A robust and inclusive consultation process will be instituted, ensuring meaningful engagement with representative organizations of women, persons with disabilities, and other marginal groups' representative. This strategy builds on the lessons learnt from KIAT, the ADB, World Bank, and other DFAT initiatives in Indonesia.

The GEDSI Strategy adopts a two-pronged approach: external and internal. Gender equality and social inclusion is intended as a significant focus of the investment, where Australia can add-value and impact to all climate and infrastructure policy and planning in Indonesia. This goes beyond the usual two-track approach of mainstreaming and dedicated activities within the program to using a GEDSI focus to influence others for scale up and replicability. This incorporates gender (along with disability and social inclusion) as equivalent to a sub-sector of the program, with dedicated budget, team and strategic objectives (reflected throughout the Program Logic).

The ***external focus*** aims to influence decision-makers across infrastructure, climate, and investment sectors by demonstrating the importance of GEDSI integration. This element focuses on integrating GEDSI considerations into Indonesia's flagship strategic projects, such as Danantara, National Strategic Projects, and other key initiatives. These projects are overseen by the Secretary of State-Owned Enterprises, Danantara and the Coordinating Ministry of Economic Affairs, who are responsible for overarching national development programs including infrastructure, climate resilience, and investment. Particular initiatives may include collaborating with the Financial Services Authority (OJK) and other stakeholders to embed GEDSI and climate components within loan agreements with private sector banks—drawing on best practices from Brazilian banks and the African Development Bank. Additionally, knowledge-sharing between Australian private sector entities and Indonesian counterparts will be prioritized to foster mutual learning to promote inclusive finance and development practices and to enhance Indonesia's private sector capacities to the next level. The external focus will be funded and delivered as Activities and Projects under the Activity Implementation budget, requiring activity identification and selection as part of the approval process. The GEDSI team will be involved in stimulating activity and project identification by working with GOI officials and other stakeholders, in the same way as other sectoral technical leads and Primary Contractor leadership staff.

The ***internal focus*** concentrates on mainstreaming GEDSI principles within organizations and project teams involved in program delivery. It encompasses technical project implementation, staffing policies, capacity building, human resource development, and monitoring and evaluation systems. Central to this approach is persuading technical leaders and experts on the importance of integrating GEDSI into their operational frameworks to ensure sustainability and technical robustness.

The Strategy will be informed by analysis to examine gender equality, disability and social inclusion across the program's focus areas and identify the interconnecting factors that contribute to inequality and exclusion. The Strategy will outline how GEDSI issues will be considered and integrated at both the Project and Activity levels, using a twin track approach of mainstreaming and targeted initiatives. The Strategy will include indicators to monitor the effectiveness of initiatives. The Strategy will be informed by consultations with key partners (DFAT,

AGEs, women's organisations, and OPDs to understand the barriers, opportunities, and necessary support. The GEDSI Strategy and Action Plan (including the gender equality analysis) will be developed during the inception phase and supported by a dedicated budget.

A GEDSI Action Plan will be developed to define the approach and identify initiatives, entry points and resources across the program and activity levels and delivered in each thematic area. The Action Plan will be reviewed annually.

The Primary Contractor will drive implementation of the GEDSI Strategy and GEDSI Action Plan across the portfolio and in collaboration with all Delivery Partners. The NGO Lead partner will also implement specific GEDSI related Activities and Projects as part of the community engagement and demand-side strategy of the investment. Coordination will be facilitated through ongoing dialogue with the GEDSI Hub at DFAT, the GEDSI unit within the Partnership, and project-specific teams. Furthermore, knowledge exchange will be extended from the initial KIAT initiative to other DFAT-supported projects such as INKLUSI, SKALA, SIAP-SIAGA, among others, as well as with relevant donor agencies and stakeholder groups.

This internal approach aims to deepen understanding and operationalization of gender equality, disability inclusion, and social inclusion—particularly targeting marginalized and remote communities—contributing to informed policy discussions and enhancing the strategic coherence of external initiatives.

Each Delivery Partner will be required to develop separate GEDSI analysis and action plans specific to their Activities. Local women's organisations, OPDs and relevant civil society organisations will be consulted to understand the barriers and enablers for GEDSI relevant to each Partner.

A full-time GEDSI Manager and supporting team within the Primary Contractor will lead the implementation of the program's GEDSI approach and initiatives. The GEDSI Manager will be a member of the Partnership Leadership Team to ensure GEDSI is a key consideration in program decision-making processes. A funding allocation will be allocated to support gender initiatives.

The program aligns with DFAT's Gender Equality Strategy in the areas of promoting women's economic equality, gender equitable climate action and support for locally led approaches to women's leadership. The program will support the participation of women from government agencies in the development of policies, infrastructure projects and financing by addressing factors that limit the consideration of women's perspectives, priorities and lived experiences. The program has been designed with consideration to the Gender and Climate Outcomes Handbook (DFAT 2024) and acknowledges the differentiated climate and disaster risks and impacts on men and women, persons with disability and other marginalised groups. The GEDSI approach responds to the potential for climate and disaster risks and impacts to compound existing vulnerabilities. It also builds on the opportunity for better climate and disaster response outcomes when there is diverse and inclusive leadership and representation.

Australia has supported gender equality in Indonesia's infrastructure sector by embedding inclusive practices across the infrastructure lifecycle. This has included influencing national policies and technical guidelines to reflect women's needs, promoting gender-sensitive design in transport and water infrastructure, and supporting women's participation in local planning forums. Through KIAT, Australia has integrated gender considerations into infrastructure financing tools, including PPP screening mechanisms, to ensure that projects account for inclusive consultation, employment, and respond to corporate gender policies. KINETIK has supported early work on supporting women's participation and leadership in the energy sector as part of Indonesia's transition to a sustainable, net-zero economy.

Consultations and gender analysis conducted as part of the design however identified critical gaps that directly shaped the program design including women's limited participation in climate finance decision-making, restricted access to capital for women-led businesses, and insufficient integration of gender considerations in climate policy. While women own nearly 60% of Indonesia's micro, small, and medium enterprises, they face significant barriers accessing capital and scaling businesses in climate technology sectors. Additionally, women constitute only 6.8% of Indonesia's construction workforce and are underrepresented in infrastructure related ministry leadership positions (e.g. 30% of Ministry of Public Works staff, 3% at Echelon I level).

Building on this and lessons from Australia's support to the infrastructure sector, the program will strengthen institutional capacity to apply gender equality principles more systematically, scale performance-based incentives



that reward inclusive outcomes, and embed gender considerations earlier in project preparation and public investment planning. Australia's continued support will help ensure that infrastructure investments actively contribute to women's empowerment, equitable access, and long-term social and economic outcomes.

Other gender entry points include building on KIAT's GESIT model to support the selection of infrastructure investment proposals in terms of their potential contribution to the goals of gender equality and social inclusion. The aim is to enable more effective participation of women in planning and monitoring infrastructure and providing employment opportunities. Additionally, collaborating with the Financial Services Authority (OJK) and other stakeholders to embed GEDSI and climate components within loan agreements with private sector banks. Additionally, knowledge-sharing between Australian private sector entities and Indonesian counterparts will be prioritized to foster mutual learning to promote inclusive finance and development practices and to enhance Indonesia's private sector capacities to the next level.

### ***Disability inclusiveness***

In Indonesia, disability inclusion in infrastructure remains underdeveloped with gaps in design, participation, financing, institutional capacity, and enforcement. Key challenges include a widespread absence of universal design in planning and construction, resulting in infrastructure that is physically inaccessible for people with disabilities (i.e. lack of ramps, elevators, accessible toilets and tactile signage). Participation of persons with disabilities in planning and decision-making processes is often limited or tokenistic, with their needs treated as secondary or add-ons rather than being embedded from the outset. Institutional capacity remains weak, with many government and private sector actors lacking the knowledge, tools, and accountability mechanisms to deliver accessible infrastructure. Financing systems rarely include strong disability inclusion criteria, and there is a lack of disaggregated data to inform inclusive planning or track usage by people with disabilities. Even when inclusive elements are planned, they are frequently not implemented due to weak enforcement and low prioritisation during delivery.

Climate change poses heightened risks for people with disabilities, but the intersection of climate and disability remains underdeveloped in infrastructure policy, practice and financing. Climate-resilient infrastructure such as transport and water systems needs to better consider the specific vulnerabilities and access needs of people with disabilities, particularly in emergencies, which is not consistently addressed in planning or implementation.

This design builds on the disability inclusion efforts of KIAT and KINETIK while creating space for new, system-strengthening approaches. A key focus will be on inclusive climate finance, addressing the current gaps in financing mechanisms and project preparation tools that often overlook the needs of persons with disabilities. Consultations identified significant opportunities to strengthen safeguards, screening tools, and institutional capacity to ensure disability inclusion is integral to climate adaptation and infrastructure resilience. The program can support GOI to embed universal design principles in infrastructure planning and standards, ensuring accessibility is incorporated from the outset. It will also promote meaningful participation by formalising engagement with persons with disabilities in program decision-making processes, and build program capability through targeted training and the integration of disability expertise within the program team. Support will aim to embed disability inclusion in public investment and financing systems.

Consultation was undertaken with OPDs in development of this design. There is clear and intentional integration of Australia's disability strategy throughout the program logic at activity and outcomes levels. Efforts will be made to enable participation of OPD representatives in governance structures. A small grants scheme will provide funds to build the capacity of people with disabilities to participate in governance and management of infrastructure planning and delivery, as well as to undertake their own community-based activities. A full-time disability inclusion team member will support efforts to operationalise the disability inclusion components of the GEDSI Action Plan. The Disability Equality Marker will be incorporated into the MERL MIS system.

### ***Social inclusion***

Social inclusion refers to the meaningful participation of marginalised groups who are often excluded from decision-making processes that directly affect their lives. This includes the poorest communities, traditional or *adat* groups, displaced populations, and those living in remote or geographically disadvantaged areas. These groups typically face significant barriers to accessing resources, services, and influence, reinforcing cycles of poverty and exclusion.

Infrastructure projects, particularly those affecting traditional communities, must balance the rights, cultures, and environmental connections of marginalised groups with economic outcomes. Inclusive planning processes, respect for land tenure, and culturally sensitive design are essential to prevent harm and ensure equitable benefits to these groups. For the program, traditional knowledge systems offer valuable insights for climate adaptation and environmental stewardship. Opportunities for collaboration exist, such as integrating DFAT-funded World Bank's work on land documentation and aligning with programs like SIAP-SIAGA to strengthen disaster risk reduction approaches.

### *Climate change*

The program has a direct focus on climate change, which is fully integrated into the program logic, management and implementation arrangements. (Earlier sections provide the analysis, justification and approach to climate activities and climate financing). A climate change and disaster risk resilience strategy will be developed during the Inception Phase to define the approach and to ensure climate change mitigation, adaptation, disaster risk and resilience are a core objective of all activities under the program and comprehensively integrated into all activities under the program, including where they are not the primary objective of the activity. It will provide operational guidance to ensure the achievement of the climate change ambition and consistent application of principles across the investment through both external and internally focus. The strategy will be finalised in consultation with DFAT, including through support from DFAT's Climate Resilient Community Support Unit (CRCSU) if required, and will cover key definitions, principles, processes (e.g. risk screening, climate investment criteria), climate-GEDSI nexus and alignment with GEDSI processes.

It is anticipated that this investment will be 100% classified as climate finance. The breakdown of the classification between the mitigation, adaptation and/or co-benefits categories will be estimated during the development of the climate change strategy and reported on under that function.

### *Private sector engagement and innovation*

Private sector engagement is a key focus for the investment, with integrated into program wide activities and outcomes. Analysis in earlier sections provide discussion of the challenges facing the private sector in investing in Indonesia, and the program is structured to engage and partner with private sector entities. The Lead Market Advisory Delivery Partner will have responsibility for convening forums for private sector actors in addition to the mechanisms afforded in the Partnership Coordination Committee. Funds have been anticipated for digitisation and automation in the allocation of Activity Costs to enable specific activities and projects to be developed.

### *Locally-led development and localisation*

The sustainability section above highlights the ways in which an ambitious localisation strategy for the Partnership will embed long-term sustainability. DFAT's Localisation Practice Note defines localisation as a method to drive more effective development outcomes by improving the agency of affected people and local actors (including partner governments) so that development action is locally informed, locally led and meets the needs of local people. The approach is intertwined with the program's sustainability efforts. An ambitious Sustainability and Localisation Strategy will be developed during the Inception Phase, including approaches such as:

DFAT indicators of Advanced Localisation	Program approach
<b>Local actors have a high degree of responsibility for programs – determining priorities, managing resources, &amp; making decisions.</b>	GOI partner ministries co-chair governance arrangements and set priorities that drive activity selection. Infrastructure project screening and approval led by GOI leaders and follows GOI processes. Support for local and international financing mechanisms that enable Indonesian sovereign wealth funds, SOEs and financial institutions to develop sustainable finance markets and invest in infrastructure projects. Phased handover of core program functions to GOI such as the project preparation facility.
<b>Resources provided directly to local stakeholders, to partner governments. Advisory support plays a support role.</b>	Funding and capability building for CSOs through small grants and training to participate in infrastructure planning and other activities. ADI/PIDGI investments invest in local businesses. Preference for Indonesian entities to deliver activities and implementation to meet local content regulations. Direct engagement with Indonesian private sector to participate and inform market enabling work and development of new finance mechanisms. Primary Contractor prioritises local entities for sub-contracts and consultancies.

## **I. Budget and Resources (What will it cost?)**

An allocation of up to AUD650 million over ten years is anticipated for this investment. The budget has been developed as an indicative Annual Allocation of AUD50 million per year for Implementation costs for Activities and Projects against the Focus sectors and sub-sectors (of the three program domains, or EOPOs) along with program management costs. An amount of AUD100 million for deployment into blended finance mechanisms has been notionally allocated evenly across the 10 years at AUD10 million p.a. This will complement the funds already invested through KINETIK (AUD100 million to date).

This allocation translates to capacity to deliver a broad range of activity and project types of sufficient scale and scope to achieve the objectives of the Program. These may be delivered through a combination of self-delivery (the sectoral technical teams deployed in-house by the Primary Contractor) and sub-contractors and Short Term Advisers. The investment is structured as a demand-driven responsive process.

## **J. Procurement and Partnering**

There are several processes envisaged for Delivery Partner selection, procurement and partnering for this investment.

### ***Delivery Partner selection and procurement***

Analysis of the capabilities and functions required to deliver the program indicates that specialist entities are required to bring not just program management expertise, but positioning and convening power, legitimacy and existing networks and coalitions, as well as technical expertise that goes beyond the skills and experience of individual employees or consultants.

In particular, the MDBs (ADB and World Bank) have positioning and relationships with the GOI as well as capacity to leverage sovereign loans in a manner that other parties are not able. DFAT has an existing funding agreement with the World Bank as a focus on infrastructure and climate which can be mobilised in a complementary manner for this program. The World Bank will be invited (through the ABIP governance mechanisms) to join the Partnership and engage more directly as a Partner with the processes of this investment. The ADB has had a separate Grant Agreement (SIAP2) which requires a further phase (SIAP3) designed in a manner to complement the strategy and approach of this program. The ADB will be invited to submit a Proposal, in line with their own systems and requirements for Trust Funds, to the value approved within this design, and an Agreement subsequently negotiated by DFAT.

A Primary Contractor will be required to manage across the portfolio and partnership, and to program manage the technical and advisory inputs required for implementation. A Financial Markets Advisory specialist is required to mediate between DFAT and the private sector from a market perspective drawing on their existing networks and participation in coalitions with stakeholders beyond that available to Contractors who traditionally manage ODA investments. A Lead NGO Specialist is required to draw on expertise and experience in working with CBOs and local entities in grants management, risk management and capacity building with trust, relationships and confidence which will be much more efficient than building that foundation through individually contracted personnel. For efficiency of Contract management, these specialist entities will work under the administrative auspices of the Primary Contractor. However, DFAT will be directly involved in the selection process.

Hence, the first tier for procurement process is the invitation and selection of ADB and the World Bank as Partners; and selection of the Primary Contractor through a two-step procurement process. Considerable scope will be available for bidders to propose internal management (including staffing and structure), financing and administrative arrangements that best matches their overall approach.

The second stage of Partner selection will involve the Primary Contractor working with DFAT to select other partners, including the two specialist entities as Delivery Partners.

### ***Partnering***

The Primary Contractor will be responsible for supporting DFAT to establish a partnership approach across the investment, bringing together Delivery Partners through use of partnership brokering approaches and development of a Partnership Charter. This will establish agreements on key principles, ways of working and



common system and processes, while acknowledging differentiated roles, functions and systems of different entities. DFAT's role and function in the partnership will also be outlined.

Further consideration of how to engage with the GOI agencies in the partnership and governance structures will be undertaken during the Inception Period. The working assumption is that GOI is involved in governance and implementation, and the Delivery Partners work under the partnership arrangements.

Over the course of the investment, there will be opportunities to strengthen localisation and sustainability by working more directly with Indonesian government and statutory authorities, and other local Indonesian institutions. DFAT will pursue opportunities to engage with and invite other local Indonesian entities to become formal Delivery Partners of the program and join the Partnership Charter. (Refer to section on Sustainability)

### **Implementation arrangements**

In the course of implementing Activities and Projects, more entities will be contracted for program delivery. Within agreed parameters, each Delivery Partner will utilise their own systems and processes for procurement, ensuring adherence to the Commonwealth procurement requirements. The majority of implementing partners are anticipated to be local Indonesian organisations. Selection and procurement processes will emphasise local content and localisation strategies.

The Statement of Requirements for the Primary Contractor will be developed to allow for use of non-ODA (should additional sources of funding become available) in later years of the investment as appropriate.

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

This is a five-year program with the option of being extended (maximum 10 years total). It is an investment with some inherently high-risk aspects - ambitions of the program are high, the scope is broad, and navigating the priorities of the new GOI administration will bring challenges. The program's ability to contribute to strengthening GOI's infrastructure, financing and climate response systems will be contingent on many factors beyond the control of the program. Notwithstanding this, the program builds on a strong foundation with more than 20 years of Australian engagement in the infrastructure sector and will support delivery partners that have a strong presence in the workstreams and proven capability and expertise. The partnership approach, the adaptive management delivery approach, and the coordination and governance arrangements proposed in this design will help to mitigate and manage risks. The initiative has been assessed as medium risk after controls and mitigations. The key risks for the program are:

**Complex and large-value programs present unique management challenges:** due to the significant resources, scrutiny, and potential consequences involved. Key challenges include effectively allocating resources, ensuring proper governance and management oversight, and effectively communicating the program's progress and risks. To mitigate these challenges, the program will need to establish a clear vision and objectives, implement robust governance processes, move away from traditional aid management approaches and foster open and transparent communication between DFAT and the program team. The risks associated with achieving the ambitious outcomes have been identified as assumptions in the Program Logic (see Annex 1). The MEL framework outlines the methods and processes for monitoring and evaluating the risks. Successful programs have tended to spread risk by focuses on a blend of sectors, with different levels of risk and probabilities of impact. KINETIK builds on these lessons and successful risk management approaches developed and refined through multiple phases of KIAT and this experience has informed the development of the risks, controls and treatments identified in the risk screening tool.

**Changes to the Indonesian political economy of climate change:** The political economy of climate and energy transition in Indonesia under the new administration continues to be highly contested. To mitigate potential risks to the program, working politically and adaptively is at the heart of this design, including through regular reflection exercises and a watching brief on developments in the political economy, as well as regular formal and informal communications with government counterparts. The program will manage a media monitoring service to ensure that communications and public diplomacy efforts remained relevant and sensitive to evolving political circumstances.

**Fraud and Corruption:** The program will be implemented across multiple sectors and geographic locations in Indonesia which presents fraud and corruption risks including misappropriation of funds, inflated invoicing, and procurement irregularities. The dispersed nature of funding recipients and varying capacity of partners across regions compound these challenges. Mitigation measures include partner due diligence assessment, regular monitoring including spot checks, and capacity building for recipient organisation. Further mitigation measures are outlined below under the Fraud and Corruption Control section.

**Counter-terrorism financing:** Counter Terrorism: Australian law criminalises the fostering of terrorism, including terrorism resourcing, with offences applying under the Criminal Code Act 1995 (Cth) and the Charter of the United Nations Act 1945 (Cth) and its associated regulations. There is a risk of adverse interactions and damage to Australia's reputation if the program inadvertently directs funds to grant recipients, subcontractors or suppliers who are associated with terrorism. To help mitigate this risk, DFAT will include standard contract conditions for the managing contractor and other partners that include provisions on safety and security requirements, crosscheck of persons and organisations against proscribed lists before entering into an agreement, terrorism awareness training of Contractor staff and partners and mandatory partner and sub-contractor reporting guidelines. These are important measures as some partners may only screen vendors and partners against the UN Security Council (UNSC) Consolidated Sanctions List, whilst Australia has its own listing of terrorist organisations and has imposed autonomous sanctions against a range of individuals and organisations in other countries which may not appear on the UNSC Consolidated Sanctions List.

DFAT and the Contractor will review risks to Australia's reputation throughout the program and incorporate terrorism risks within the risk register and implementation of controls and treatments to manage terrorism resourcing risks specific to the activity. DFAT and the Contractor will hold regular meetings and establish other monitoring mechanisms to provide an avenue to monitor preventing violent extremism activities and identify any signs of potential support for extremism. Senior DFAT management will be regularly updated on these risks as part of DFAT's internal risk management protocols.

### *Environmental and Social Safeguards*

The investment operates in a complex risk environment requiring robust social safeguards to protect vulnerable populations and mitigate environmental and social harms throughout the investment lifecycle. Key risks requiring mitigation include environmental degradation from large-scale infrastructure development that can lead to deforestation, habitat fragmentation, and contamination of coastal ecosystems with particular concern for indigenous communities who face displacement and violations of free, prior, and informed consent principles. Children and vulnerable groups face heightened risks from involuntary resettlement, loss of livelihoods, and inadequate compensation mechanisms, while infrastructure projects with civil works present high-risk environments for sexual exploitation, abuse, and harassment (SEAH), particularly affecting women and girls in project communities.

The Contractor and delivery partners will be selected on the basis of compliance with DFAT due diligence requirements. The Primary Contractor will develop an environmental and social safeguards policy for the program based on DFAT and international standards. All personnel, whether short or long term, will be required to follow DFAT's Environmental and Social Safeguard Policy that came into effect 1 January 2018. Activity selection will include environment and social safeguards criteria as a specific investment screening tool. Environmental and social safeguards standards be incorporated in implementation, monitored, and complied with the Primary Contractor undertaking annual reviews of partner policy adherence. The Primary Contractor will employ a specialist Safeguards Adviser to develop a Safeguard Management Plan and detailed protocol for the handling of safeguard incidents and to support training of personnel and partners. Private sector partners such as ADI will use their social safeguard toolkit including training video and presentation as well as tools and templates for sharing with Fund Managers and portfolio companies. All activities will be screened for safeguard risks and subject to an ongoing spot check process. Based on lessons from KIAT, spot checks have provided useful and checks identified several high-risk activities requiring intensive Safeguards Advisor support such as through additional field visits. Safeguard incidents will be reported to DFAT's Safeguards desk and managed in a timely and appropriate manner.

## *Health and Safety*

Health and safety risks emerge from inadequate environmental impact assessments, industrial waste contamination, and unsafe working conditions. The program is committed to ensuring that all program-supported activities are conducted in ways that uphold the safety, dignity, and wellbeing of participants and partners. The program will apply minimum Work Health and Safety (WHS) standards to all activities, including accessible venues, safe travel arrangements, appropriate security protocols, and measures to support psychological safety. Health and safety expectations will be embedded in activity planning and delivery, and partners will monitor compliance and provide guidance to partners to ensure safe, respectful, and inclusive participation in all activities. Procurement and contractual controls, capacity building, and supervision will be the key functions for ensuring partners are sufficiently addressing health and safety risks and impacts on workers and community members.

## *Sexual exploitation, abuse and harassment*

The investment is assessed as being of **high** risk in terms of sexual exploitation, abuse and harassment (SEAH) and, therefore will complete minimum standards 1–5<sup>10</sup> of DFAT's PSEAH risk management guidance. There is potential that there will be higher SEAH risks in some initiatives that receive financial and technical support through the program. Risks are more likely to emerge where partners do not have strong internal PSEAH leadership, policies and practices in place, and where there are policies in place they may not be applied to downstream partners and staff. All program activities and projects will need to be screened for their specific SEAH risks and the relevant minimum standards applied. The managing contractor will be expected to employ a PSEAH Adviser to develop a PSEAH Plan and detailed protocol call for handling reporting and providing training to personnel and partners.

## *Child Protection*

There are child protection risks associated with infrastructure programs, but the program is not expected to include any direct contact or work with children. On this basis, the program is assessed as having a moderate child protection risk, with no focus on children at an organisational level as per DFAT's child protection guidance. Therefore, program implementing partners are required to complete a more detailed assessment of child protection risk and apply the appropriate minimum child protection standards, including personnel screening to manage risk. As DFAT's Child Protection Policy does not apply to partner governments, the program will manage any child protection risks when working with GOI to ensure children are safe and protected in program initiatives. Any Australian government partners will give effect to DFAT's policy via their own internal processes. GOI and GOA partners will be expected to act in accordance with the principles and reporting requirements outlined in DFAT's PSEAH policy. PSEAH will be assessed as part of due diligence processes for all government partners.

In the inception phase, the implementation team will be responsible for producing an expanded risk analysis, mitigation, and management approach, guided by DFAT's Child Protection Guidance Note<sup>11</sup>. The team will also operationalise DFAT's Child Protection Policy, including integration within the program's human resource systems and screening of organisations and individuals. The managing contractor will ensure that all relevant partners have in place policies and systems (including pre-departure awareness training) that protect children from abuse and exploitation, and devise strategies for supplementation, where needed. Program agreements will have mandatory clauses dealing with child protection.

## *Fraud and Corruption Control*

The program will work with many funding recipients across sectoral focus areas and geographic locations in Indonesia. The program will adopt a strong approach to the management of fraud and corruption risk in line with DFAT requirements.

The managing contractor team will include specific fraud and corruption expertise and the contractor will put in place a fraud and corruption control strategy that will outline the approach to fraud risk assessment and

<sup>10</sup> Implementing partners (1) Have a PSEAH policy or other documented policies and procedures in place and clearly communicate expectations of this Policy; (2) Have reporting and investigation procedures in place; (3) Have risk management processes that include the risk of SEAH. These minimum standards are also applicable to downstream funding recipients.

<sup>11</sup> DFAT, *Child Protection Guidance Note: Establishing Child Protection Risk Context*, January 2018.

processes for preventing and managing suspected cases of fraud. It will be based on the Commonwealth Fraud and Corruption Control Framework and DFAT's Toolkit. This strategy will include:

- Definition of 'Fraud' and 'Corruption' and the roles and responsibilities of the managing contractor, DFAT and others (including Australian Government agencies), outline of the fraud context and risk assessment (including a Fraud Risk Assessment Matrix with source, impact, and control strategies) and fraud risk awareness and prevention measures (including the screening, engagement and on-boarding of personnel and subcontractors, and supplier controls).
- Managing conflict of interest (paying special attention to the procurement of goods and services; tendering for, awarding, and managing subcontracts; recruiting personnel; and monitoring the provision of goods and services and confirming processes are in place at Australian Government agencies).
- Fraud detection (including process for financial audits, non-financial reviews, and electronic monitoring) and reporting (with appropriate escalation processes; and the monitoring of the fraud control strategy).
- Fraud Investigation (including outlining how the managing contractor will investigate detected, suspected, attempted, or alleged fraud, in cooperation with DFAT) and fraud response and recovery.

Fraud and corruption risks that may impact the achievement of outcomes and the delivery of the contract include:

- Primary Contractor team does not have in-house fraud expertise (e.g. expertise in fraud investigations) to ensure strong management oversight of fraud risks, operations and monitoring of risks.
- Managing contractor fails to conduct due diligence assessments on downstream partners such as grantees and sub-contractors prior to entering into funding arrangements.
- Grantees and sub-contractors financial, risk and operational management systems are not fit-for-purpose to meet contractual and accountability obligations.
- Managing contractor financial monitoring systems are not fit-for-purpose and fail to prevent, detect and correct instances of fraud and non-compliance with fraud controls.

### *Monitoring and managing risks*

DFAT, in collaboration with the managing contractor, will monitor and manage risks at a program level with emerging risks and changes to the risk profile being escalated to the attention of DFAT management and the Governance Committee. As part of the program governance arrangements, DFAT and the Primary Contractor will include risk as a standing meeting item, and risks will be regularly discussed with DFAT senior management as part of governance arrangements. Risk management and reporting processes will include consideration of the risk of SEAH.

Recognising the value of risk management being integrated into the day-to-day operations, program managers will be responsible for operationalising risk management. An updated risk register will be developed during the inception period, drawing from and informed by the Risk Factors Screening Tool. A risk escalation pathway will be developed and clearly articulated for use by DFAT's program managers and management. DFAT and the managing contractor will allocate focal points for risk, safeguards and SEAH, and they are expected to work closely to execute risk management functions. Both DFAT and the managing contractor will share a common risk register to guide risk assessment, management and reporting. Based on lessons from KIAT, DFAT's infrastructure team at Post will continue the system of bi-weekly meetings with sector teams (water and sanitation; transport; IFF; GEDSI; and climate change). Larger activities will have dedicated risk management plans that are monitored by the Partnership and sub-contractors, and discussed with DFAT at the bi-weekly meetings.

DFAT engagement with staff in the wider Jakarta Post and whole-of-government partners, including Australian Government agencies, will contribute to risk management by facilitating the sharing of information on emerging or changing risks specific to the context and supporting risk mitigation efforts. It is expected that the on-the-ground insights offered by key stakeholders will feed into regular updates to the program's risk management framework. DFAT will review and update its own risk register at a minimum every 90 days. DFAT staff will brief the Minister Counsellor on significant risks and safeguards issues as they arise.

Program delivery partners, including Australian Government agencies, will be required to have robust risk management and reporting systems in place and partners that apply for funding through competitive processes are required to provide details on risks specific to their proposed activities when submitting proposals. Partner risk assessments and management frameworks will be developed during negotiations and reviewed by DFAT. Partner due diligence evaluations undertaken by the managing contractor will further inform risks and safeguards assessments and support DFAT's risk management processes.

## **L. Annexes**

Annex 1 Program Logic

Annex 3 Indicative Services and Capabilities by Delivery Partner

Annex 4 MEL Framework at design



## Annex 1 – Program Logic

The Program Logic for KINETIK responds to the key characteristics and underlying approach to the design.

This includes:

- **Complexity and adaptive programming:** the design and program logic reflects the need for an adaptive approach, where there are no fixed inputs-based activities and outputs and no fixed end points for achievements and results, but a strategy for implementation to target opportunities, entry points and momentum for reform, and to learn from implementation to ‘chase’ success.
- **Political economy:** the design works to engage with and influence the political economy which is constantly changing and evolving
- **Sphere of control and influence:** the program works with multiple stakeholders who have greater resources, control and influence over outcomes than the program itself and its relatively smaller inputs
- **Open systems:** the program works to influence the overall eco-system for climate and infrastructure policy and programming, and cannot control all the variables required to achieve a pre-determined result.

The program is implemented by a broad range of Delivery Partners, working within a common framework, but implementing multiple Activities and Projects, focusing on three focus sectors (water, sanitation and waste management clean energy transition, and sustainable infrastructure) but with flexibility to operate in single sector domains (climate, financing and infrastructure).

The overall design deals with this underlying development approach and theory of change with a design structure that operates at several, connected and interdependent levels:

- At the program-wide level, there is a summary Program Logic which capture the broader strategy and common framework for delivery
- At the focus sector level there will be Sector Engagement Frameworks and change pathways developed
- For each Activity and Project, there will be specific outputs and objectives.

The Program-wide Logic is structured around the *strategy* and *approach* at program-wide activity and output level. Outputs focus on the key stakeholder groups and how we expect them to respond to the program and change behaviour and actions.

The Intermediate Outcomes (IO) are structured around key features of the eco-system for climate and infrastructure policy and planning, which are regarded as key parts of the overall system that can work in an integrated way to stimulate changes across the whole system. Over the first five years of the program, it is expected that significant progress can be demonstrated towards the Intermediate Outcomes. Over the life of the program, achievement of the IOs is expected to contribute in an integrated way towards the EOPOs (rather than one particular IO mapping to a specific EOPO).

End of Program Outcomes are focused on the policy level changes that the investment would anticipate being achieved over the potential ten year horizon of the Partnership *if* stakeholders engage as we anticipate and the system responds to the reforms identified in the Intermediate Outcomes.

At the focus sector level there is a change pathway identified for focus sectors and linkages to the GOI RPJMN (national medium term development plan) outcomes. This will be further developed through the sector engagement strategies developed in the inception phase and updated each year.

At the Activity and Project level, specific outputs (key deliverables) and objectives (first order results) will be designed. These deliverables and results will be coded and linked to the program-wide Activities, Outputs and Intermediate outcomes to enable aggregated and synthesis reporting in real time, and for evaluation purposes.

## Assumptions

This approach to the design and program logic relies on key assumptions. Monitoring and managing these assumptions is integrated into the risk management and MERL frameworks to enable real time learning and reflection on progress and impact, and for timely adjustments to be made to strategy, approach and focus of the program.

Key assumptions include:

### *From Activity to Output level*

- The right (timely, appropriate, well targeted) decisions are made by governance and management arrangements on Activities and Project approvals (without, eg, political or commercial interference)
- Delivery Partners work with common purpose and collaboratively (Contractor, MDBs, PDGS, ADI, DFAT, Lead NGO, Lead Market Advisory)
- Communities and citizens motivated and interested to engage, and can agree with the GOI on infrastructure and climate planning priorities and implementation arrangements, without civil unrest
- Private sector actors willing and able to engage in Indonesia in stable global economic climate
- Real time feedback and reflection enables better management and governance decision making
- Political and public discourse facilitated by strong bilateral relationship between Australia and Indonesia

### *From Output to IO level*

- Public sector culture and political leadership supports innovation and transformative reform in stable political climate
- Capital is available and private sector across looking for investment opportunities, and are not hindered by global economic conditions or stronger incentives in other emerging markets
- Sufficient strong social contract and trust between government and civil society (given historical context) to support engagement with GOI agencies and private sector; and all groups and communities are able to engage equally
- MDBs and international system continues to finance and provide technical support to emerging markets (particularly Indonesia remains a priority)
- Vested interests do not work against green growth and clean energy transition

### *IO to EOPO level*

- Domestic and global economy remains stable and predictable with investors able to commit to long term projects/investments
- Sufficient leadership and momentum for mobilising gender transformation, and social change in gender and other issues is progressive and measured, without dispute or causing backlash from vested interests and halting/regressive progress
- Technology base and human capacity to utilise is available in Indonesia, and rapid increased use of AI and technology results in changes to labour market or gaps/failures in performance of government agencies (though eg data breaches, system failure)
- International markets for carbon and climate financing slower than anticipated or break down through failure of international agreements
- Alternative forms of financing are being developed and made available, and transition to non-ODA partnerships and financing slow or has gaps due to governance and political lags

## Australia-Indonesia Climate and Sustainable Infrastructure Partnership (KINETIK)

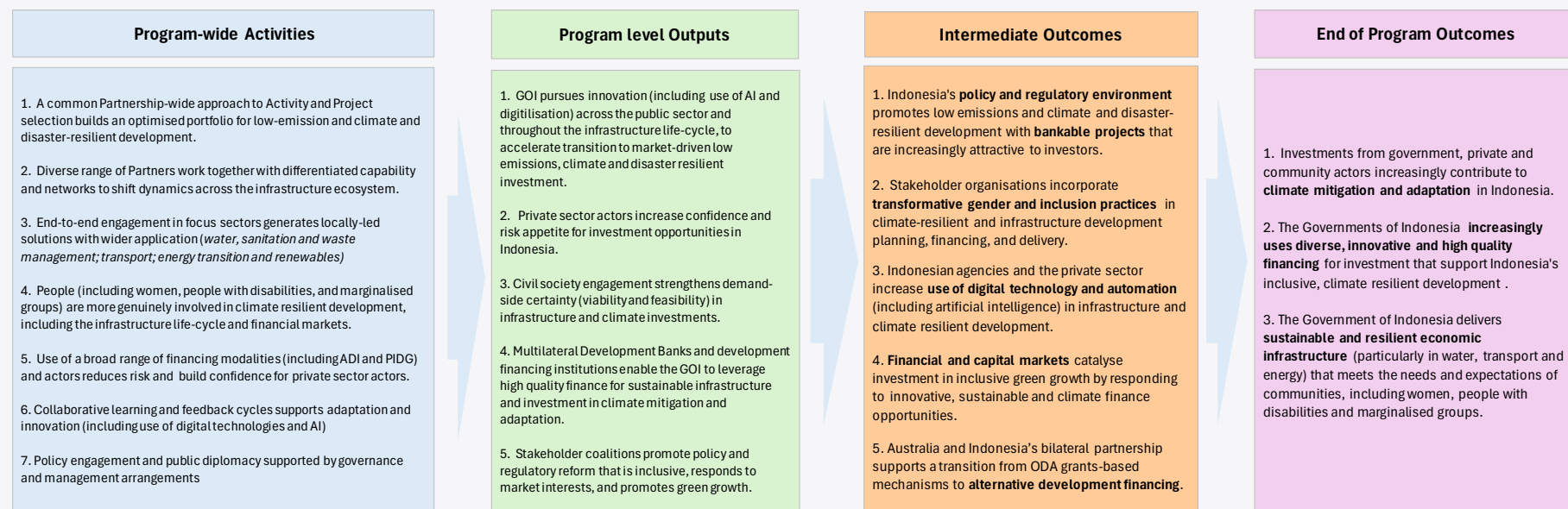
### Program Logic

#### The Development Goal of the program is:

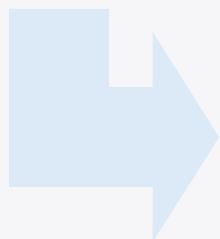
To support Indonesia's use of infrastructure and climate resilient development as a driver for inclusive green economic growth that responds to the challenges and opportunities of climate change, with high quality finance that optimises national fiscal capacity and private sector investment.

#### The Strategic Objective for the program is:

To strengthen the economic partnership for inclusive green growth, including through boosting trade, investment opportunities with Australia and others, and expanding cooperation on climate change.



#### Focus sectors change pathways



#### Process outputs

**BAPPENAS, Ministry of Finance** and relevant line Ministries access customised policy, technical and financial assistance to address strategic priorities

#### Focus sectors and relevant line Ministries

**Clean energy transition**  
Ministry of Energy and Mineral Resources, PLN, National Energy Council

**Water, sanitation and waste management**  
Ministries of Public Works, Health, Home Affairs, Environment,

**Sustainable Transport**  
Ministry of Public Works, Ministry of Transport

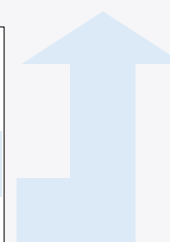
#### Contributing to RJPMP outcomes

Government of Indonesia implements transformative reforms in line with the National Medium Term Development Plan (RJPMP) in key focus sectors that contribute to targeted outcomes including:

Increased self sufficiency on food, energy, and water as pillars of sustainability to strengthen global competitiveness, including low carbon development, circular economy and green economy transformation










Improved quality, just, resilient, and sustainable infrastructure development supporting delivery of basic services, including integrated upstream to downstream waste management reform

Better integrated infrastructure to increase access, reduce logistics cost, & strengthen connectivity, including developing connectivity and multi-mode transportation service, increasing digital connectivity and electricity transition & reducing disaster and climate risk









### Annex 3 – Indicative Services and Capabilities by Delivery Partner





<b>Services – functions</b>  <b>PRIMARY RESPONSIBILITY</b>  <b>SECONDARY RESPONSIBILITY</b>	Primary Contractor (Portfolio Management team)	Technical Services Team (Primary Contractor)	Financial Markets Advisory Lead	NGO Lead	Investable capital mechanisms (PIDG/ADI etc)	ADB / WB	GOA APS Agencies	DFAT Post
<b>1. Policy, regulatory and advisory services on infrastructure planning, finance and governance</b> <ul style="list-style-type: none"> <li>i. Undertake analysis of existing policy and regulation to identify challenges and constraints for planning and investment, including private sector participation</li> <li>ii. Engage with key GOI parties and other stakeholders to identify entry points and opportunities for reform</li> <li>iii. Work with primary partners to develop scope of work for further analysis, research and policy development</li> <li>iv. Identify capacity and evidence gaps and constraints to propose professional development and support services</li> <li>v. Draw on international practice and experience to propose options and alternative policy solutions that are fit-for-purpose</li> <li>vi. Work with internal and external stakeholders to mobilise support for policy reform</li> <li>vii. Refine and revise policy and regulatory solutions based on GOI direction</li> </ul>								
<b>2. Institutional strengthening and capacity building support</b> <ul style="list-style-type: none"> <li>i. Undertake analysis of professional development, training and support needs in response to requests from GOI agencies and other implementing stakeholders</li> <li>ii. Identify appropriate modalities and content, and providers, to support needs of GOI agencies</li> <li>iii. Prepare a scope of work for training and PD inputs, including linkages to other Activities and Projects</li> </ul>								






<b>Services – functions</b>   <b>PRIMARY RESPONSIBILITY</b>  <b>SECONDARY RESPONSIBILITY</b>	Primary Contractor	Technical Services Team	Financial Markets Advisory Lead	NGO Lead	Investable capital mechanisms (PIDG/ADI etc)	ADB / WB	GOA APS Agencies	DFAT Post
	(Portfolio Management team)	(Primary Contractor)						
iv. Deliver institutional strengthening program of work, through self-delivery or sub-contracted  v. Monitor and supervise quality of delivery, and undertake evaluation of outcomes and impact								
<b>3. Over the horizon research, policy analysis and advocacy</b> i. Monitor broad economic and political landscape, and understand sector specific conditions, progress and lessons ii. Identify long term and generational issues that have implications for Indonesia's economic trajectory iii. Canvass GOI and other stakeholders for interest and engagement on key issues and prioritise significance iv. Identify and propose Scope of Work for individual research and study Activities, linked to the Program's EOPOs and scope v. Self-deliver or contract out Activity, monitor progress and deliverables, report on outcomes and impact. vi. Disseminate findings and conclusions widely, with a public diplomacy and communications strategy to influence future policy development								
<b>4. Project screening and preparation technical services</b> i. Development of project screening criteria consistent with overall program design, DFAT guidelines, GOI priorities/commitment, and value for money (VfM) ii. Support GOI counterparts and GCAs in screening and selecting projects for further development and building a project pipeline iii. Carry out feasibility studies that assess technical, economic, financial, affordability, risk and legal institutional aspects, environmental, social and GEDSI, and other related analyses as required for the specific project								














<b>Services – functions</b>   PRIMARY RESPONSIBILITY  SECONDARY RESPONSIBILITY	Primary Contractor	Technical Services Team	Financial Markets Advisory Lead	NGO Lead	Investable capital mechanisms (PIDG/ADI etc)	ADB / WB	GOA APS Agencies	DFAT Post
	(Portfolio Management team)	(Primary Contractor)						
iv. Assess potential sources of innovative financing and funding (IFF) and green and climate financing, to improve the viability and bankability of the projects  v. Conduct iterative process of consultations with GOI counterparts, GCAs, and other relevant stakeholders  vi. Conduct market sounding to understand sponsor/investor interest, risk-return expectations and terms/structuring for projects and financing								
<b>5. Multilateral Development Bank (MDB) knowledge-related work and investment projects</b>  i. Conduct knowledge and analytical work related to improving the enabling environment for infrastructure and climate financing, sector studies and policy/regulatory reforms  ii. Undertake and advance policy dialogue with the GOI on priority policy/regulatory reform issues, in coordination with DFAT  iii. Deliver technical assistance support, including project/program preparation processing for sovereign lending  iv. Catalyse private sector investment through transaction advisory support, loans, equity and risk mitigation instruments								
<b>6. Financial market analysis and private sector engagement</b>  i. Conduct analysis and maintain current understanding of the state of financial markets in Indonesia, pertaining to climate finance, green and sustainable investment, and sectors relevant to the Program  ii. Engage with and maintain relationships with key private sector actors in Indonesia and use relationships to facilitate investment and deals  iii. Develop and implement strategies for investing in green growth (in relevant sectors) in Indonesia, including intermediaries, fund managers, modalities, and investment vehicles								

<b>Services – functions</b>   PRIMARY RESPONSIBILITY  SECONDARY RESPONSIBILITY	Primary Contractor  (Portfolio Management team)	Technical Services Team  (Primary Contractor)	Financial Markets Advisory Lead	NGO Lead	Investable capital mechanisms (PIDG/ADI etc)	ADB / WB	GOA APS Agencies	DFAT Post
iv. Design and establish investment mechanisms for medium-large deals. (30 million +) v. Identify opportunities to invest in small and medium enterprises in Indonesia, particularly women led, that will contribute to low carbon development and green growth vi. Identify and partner with investment managers and fund managers vii. Identify and report on challenges and constraints in the business and commercial enabling environment facing Indonesian private sector (SMEs and others) viii. Oversee, monitor and report on investments and actions taken related to private sector engagement ix. Provide advice and support to the Primary Contractor and DFAT as requested								
<b>7. Financial and investment services including Fund Management, oversight and reporting</b> i. Manage capital investments to achieve market based financial return ii. Identify and develop opportunities to support SMEs and start-ups in low carbon development and green growth, that will crowd in other funding and investment iii. Invest, through loan, equity and other mechanisms, in identified small and medium enterprises iv. Monitor and fund invested funds v. Identify constraints and blockages for financial markets in attracting and supporting private sector investment from domestic and international sources, vi. Identify and report on challenges and constraints in the business and commercial enabling environment facing Indonesian private sector (SMEs and others)								

<b>Services – functions</b>   PRIMARY RESPONSIBILITY  SECONDARY RESPONSIBILITY	Primary Contractor	Technical Services Team	Financial Markets Advisory Lead	NGO Lead	Investable capital mechanisms (PIDG/ADI etc)	ADB / WB	GOA APS Agencies	DFAT Post
	(Portfolio Management team)	(Primary Contractor)						
vii. Report on financial and non-financial returns from investments								
<b>8. Project transaction advisory technical services</b> <i>(to be pilot tested in Year 1 or 2 for proof of concept before scaling up)</i>  i. In consultation with GCAs, develop overall procurement plan, evaluation criteria and bidding documents consistent with relevant legal and regulatory frameworks  ii. Support bidding and proposal evaluation, including pre-bid conference and follow-on appraisal work  iii. Support negotiations with winning bidder, due diligence and finalisation of commercial closure  iv. Provide follow-up support for achieving financial closure								
<b>9. Technical services to support strategic program management and delivery</b>  i. Design and manage program that is responsive to wide range of stakeholders and aligned with strategic, developmental and sectoral priorities  ii. Apply sound political economy analysis to inform program strategic engagement and activity design  iii. Deliver high-quality technical and context specific infrastructure and climate financing expertise in a responsive and efficient manner  iv. Develop and maintain diverse and effective partnerships across government, private sector, MDBs and other development partners, civil society, and academia to support a broad ecosystem approach to infrastructure and climate financing  v. Ensure corporate and program operational systems provide strong procurement, financial management, risk mitigation, and capacity to deliver core DFAT policy priorities								






<b>Services – functions</b>   <b>PRIMARY RESPONSIBILITY</b>  <b>SECONDARY RESPONSIBILITY</b>	Primary Contractor  (Portfolio Management team)	Technical Services Team  (Primary Contractor)	Financial Markets Advisory Lead	NGO Lead	Investable capital mechanisms (PIDG/ADI etc)	ADB / WB	GOA APS Agencies	DFAT Post
<b>10. Community engagement and civil society sector strengthening</b>  i. Engage with civil society networks and coalitions involved in climate mitigation and adaption policies and programs  ii. Engage with Disabled Persons Organisations and support their participation in policy and programming, as relevant to the programs Activities and Projects  iii. Engage with CSOs and CBOs in communities affected by planned infrastructure projects  iv. Develop and administer small grants scheme for local CSOs and CBOs to facilitate their participation in policy and programming for green growth, and for infrastructure planning and implementation, as relevant to focus sectors and locations of the Program  v. Provide institutional strengthening and support as required to facilitate selected CSO participation in the grants scheme to enable them to fulfil their obligations and compliance requirements  vi. Monitor, review and evaluate small grants, and report on their contribution to Program-wide outputs and outcomes.								
<b>11. Coordination, collaboration and stakeholder engagement</b>  i. Build and maintain organisational relationships to provide strategic leadership for collaborative participation and engagement amongst all Delivery Partners, and external stakeholders, and with the GOI  ii. Establish and facilitate operations of the Partnership Steering Committee, and act as Secretariat  iii. Establish a Partnership Charter, with participation and agreement of Delivery Partners and DFAT  iv. Establish and maintain Communities of Practice for each key Sector and Theme of the Program, identifying policy priorities and reforms of mutual interest for joint action								

<b>Services – functions</b>   PRIMARY RESPONSIBILITY  SECONDARY RESPONSIBILITY	Primary Contractor  (Portfolio Management team)	Technical Services Team  (Primary Contractor)	Financial Markets Advisory Lead	NGO Lead	Investable capital mechanisms (PIDG/ADI etc)	ADB / WB	GOA APS Agencies	DFAT Post
<b>12. Knowledge management, monitoring and evaluation, and research</b>  i. Develop and implement a Monitoring, Evaluation Reflection and Learning Framework (MERL) for program-wide application ii. Establish and maintain a Management Information System that captures data and reporting at Activity and Project Level, and links reporting to Outputs, IOs and EOPOs iii. Develop and implement tools using mixed-methods for data collection, analysis, and reporting and Output, IO and EOPO level iv. Provide technical support and engagement with all Delivery Partners on basic data set, Activity and Project reporting, v. Facilitate participation of Delivery Partners and other implementers (sub-contractors and grantees) in program-wide MERL processes for reflection and learning vi. Conduct ongoing longitudinal research and analysis that captures ongoing lessons, insights and changes in context relevant to the program’s scope and delivery vii. Share and disseminate lessons, case studies, outcomes, insights and recommendations arising from program implementation, through accessible, informative and influencing strategies (linked to public diplomacy and communications) for internal and external audiences								
viii. Design and plan Activities and Projects with clear deliverables (Outputs) and outcomes (Objectives) in consistent manner that be coded by PL hierarchy and sector ix. Prepare reports on deliverables and outcomes and share with Primary Contractor and DFAT for aggregation into MIS database x. Collect disaggregated data on gender and disability on participation in Activities and Projects								




<b>Services – functions</b>   <b>PRIMARY RESPONSIBILITY</b>  <b>SECONDARY RESPONSIBILITY</b>	Primary Contractor	Technical Services Team	Financial Markets Advisory Lead	NGO Lead	Investable capital mechanisms (PIDG/ADI etc)	ADB / WB	GOA APS Agencies	DFAT Post
	(Portfolio Management team)	(Primary Contractor)						
xi. Participate in regular (6 monthly) reflection sessions on progress, lessons and implications by sector and theme as appropriate, to inform future planning  xii. Prepare case studies and lessons learnt with implications for replication and scale up  xiii. Undertake evaluations on significant Activities and Projects								
<b>13. Gender, disability and social inclusion advisory, training and support services</b>  i. Develop a GEDSI Strategy aligned with program outcomes. ii. Provide technical advice so that GEDSI is integrated into the program's Monitoring, Evaluation, Research and Learning (MERL) framework, with disaggregated indicators (gender, disability, geography). iii. Facilitate inclusive consultation processes within program processes and systems. iv. Provide technical advice to ministries and private sector actors including on universal design principles in infrastructure planning and integration of GEDSI into infrastructure policies and investment plans. v. Design and oversee targeted sub-programs that address barriers faced by women or persons with a disability in accessing infrastructure, finance or climate adaptation. vi. Assist program personnel and partners to integrate GEDSI into workstreams through conducting training and developing guidance notes and other documents. vii. Conduct annual GEDSI reflection and learning reviews with stakeholders. viii. Engage with ministries responsible for infrastructure planning, delivery, financing and gender and social protection. ix. Develop relationships with women-led businesses, CSOs and OPDs operating within program target areas.		=						

<b>Services – functions</b>   <b>PRIMARY RESPONSIBILITY</b>  <b>SECONDARY RESPONSIBILITY</b>	Primary Contractor	Technical Services Team	Financial Markets Advisory Lead	NGO Lead	Investable capital mechanisms (PIDG/ADI etc)	ADB / WB	GOA APS Agencies	DFAT Post
	(Portfolio Management team)	(Primary Contractor)						
x. Establish program wide MERL methods and tools for monitoring and reporting on GEDSI outcomes								
xi. Ensure GEDSI dimensions are addressed in social and environmental safeguards assessments.								
xii. Develop risk mitigation measures for exclusion, discrimination, or harm to marginalised groups.								
xiii. Identify plan and implement specific activities addressing gender and disability								
xiv. Design a grants program with NGOs, CSOs and CBOs to enable women's and disability organisations to participate in climate and infrastructure policy and planning, and to progress GEDSI outcomes.								
xv. Design and plan Activities and Projects with women-led businesses that address climate resilience and influence operations of financial markets								
<b>14. Climate policy and technical services on mitigation, adaptation and resilience (including climate and disaster risk analysis and assessment) and sustainable, green and climate finance.</b> i. Develop a climate change strategy (external and internal), implementation tools and investment criteria to be applied across the program. ii. Establish an information sharing and learning platform that enables capacity building and consistent application of the climate change strategy across delivery partners. iii. Engage with and maintain relationships with key climate change sector actors in Indonesia, regionally and globally to tailor activities to Indonesian priorities and reflect emerging sector standards iv. Technical expertise on mitigation, adaptation and resilience in the infrastructure sector, including application across sector planning, project pipeline and lifecycle.								



<i>Services – functions</i>  PRIMARY RESPONSIBILITY  SECONDARY RESPONSIBILITY		Primary Contractor  (Portfolio Management team)	Technical Services Team  (Primary Contractor)	Financial Markets Advisory Lead	NGO Lead	Investable capital mechanisms (PIDG/ADI etc)	ADB / WB	GOA APS Agencies	DFAT Post
v. Quality assurance of technical outputs on climate change themes vi. Niche advisory to GOI counterparts and partners on specific technical topics including (but not limited to): <ul style="list-style-type: none"> <li>- Physical and transition climate and disaster risk assessments</li> <li>- Emissions Appraisals</li> <li>- Climate Management and Monitoring Plans</li> <li>- Emissions Management and Monitoring Plans</li> <li>- Climate, Green and Sustainable finance alignment, readiness, and deals.</li> <li>- Cost-benefit analysis of climate adaptation, mitigation and co-benefits</li> <li>- Climate and Disaster Resilient universal design principles</li> <li>- Nature-based solutions and natural resource management</li> <li>- Urban and green design</li> <li>- GEDSI-Climate nexus</li> <li>- Climate science, modelling and decision making tools</li> <li>- National and sector climate policy</li> <li>- ESG reporting and systems</li> </ul>									
<b>15. Risk management</b> <ul style="list-style-type: none"> <li>i. Establish and maintain a Program Risk Register, covering strategic, operational, contextual, and safeguarding risks</li> <li>ii. Update risk register quarterly, with inputs from DFAT and other partners.</li> <li>iii. Embed risk discussion within governance mechanisms</li> <li>iv. Apply environmental and social safeguards screening to all infrastructure-related activities.</li> <li>v. Develop compliance policies aligned to DFAT's requirements on PSEAH, Child Protection, fraud and corruption and anti-terrorism.</li> <li>vi. Conduct routine financial audits and spot checks</li> </ul>									


<b>Services – functions</b>   <b>PRIMARY RESPONSIBILITY</b>  <b>SECONDARY RESPONSIBILITY</b>	Primary Contractor	Technical Services Team	Financial Markets Advisory Lead	NGO Lead	Investable capital mechanisms (PIDG/ADI etc)	ADB / WB	GOA APS Agencies	DFAT Post
	(Portfolio Management team)	(Primary Contractor)						
vii. Establish independent whistleblower and complaints mechanisms and report incidents to DFAT. viii. Develop training modules on PSEAH, child protection, fraud and terrorism for personnel and partners. ix. Provide capacity building to partners including in financial and fraud controls and management x. Lead risk reporting to DFAT including documenting lessons. xi. Appoint Safeguards, PSEAH, Climate and GEDSI Advisers to support DFAT and delivery partners								
<b>16. Financial management for program management and grants oversight</b> i. Establish and maintain Chart of Accounts and financial management systems that report on cost categories and cost centres related to the pricing Schedule, and an Activity Based Costing category related to Activities and Projects, to link financial reporting to implementation ii. Maintain accurate financial records in accordance with accounting standards iii. Make records available for audit as required iv. Provide support to Delivery Partners and other implementing parties to ensure budgeting and financial reporting can be integrated into the MIS and financial reports.								
<b>17. Procurement, contract and agreement management</b> i. Establish and maintain a standardised system and process for sub-contracts and grant to third party providers ii. Establish and maintain a procurement pathway and selection process suitable for small Activities, larger scale Projects, and grants to CSO/CBOs and SMEs								

<b>Services – functions</b>   <b>PRIMARY RESPONSIBILITY</b>  <b>SECONDARY RESPONSIBILITY</b>	Primary Contractor	Technical Services Team	Financial Markets Advisory Lead	NGO Lead	Investable capital mechanisms (PIDG/ADI etc)	ADB / WB	GOA APS Agencies	DFAT Post
	(Portfolio Management team)	(Primary Contractor)						
iii. Maintain a contract and grant register, with key deliverables, payment milestones and financial reporting obligation, to report on compliance and progress across the portfolio  iv. Maintain a quality assurance system for Delivery Partners to monitor and report on quality deliverables throughout implementation								
<b>18. Government to Government (GOA/others) partnership development and implementation support</b>  i. Identify with DFAT potential G2G partnerships. ii. Support G2G and GOI joint scoping for G2G engagement (e.g. policy reform, capacity building, institutional strengthening). iii. Provide technical assistance for development of M&E frameworks and integration of GEDSI within concepts and workplans iv. Draft partnership terms of reference, workplans, or MOUs. v. Maintain a register of G2G partnerships vi. Provide administration and logistics support for activity delivery in Indonesia and in Australia vii. Capture data, outcomes and lessons learned to inform partnership development and reporting viii. Facilitate integration of partnerships within broader program workstreams. ix. Provide public diplomacy content to DFAT and government partners.								
<b>19. Communications and public diplomacy</b>  i. Develop and establish a Public Diplomacy and Communications Strategy for use by all Delivery Partners  ii. Establish and maintain a website and other social media platforms for dissemination and sharing of research, lessons, case studies and program outcomes for use by internal and external stakeholders								



<b>Services – functions</b>   <b>PRIMARY RESPONSIBILITY</b>  <b>SECONDARY RESPONSIBILITY</b>	Primary Contractor	Technical Services Team	Financial Markets Advisory Lead	NGO Lead	Investable capital mechanisms (PIDG/ADI etc)	ADB / WB	GOA APS Agencies	DFAT Post
	(Portfolio Management team)	(Primary Contractor)						
iii. Identify opportunities for public events, in association with DFAT and GOI, to showcase program performance and results iv. Support Delivery Partners, staff, associates and stakeholders, to prepare material for external publications v. Engage with the media, both traditional and social media platforms, for broad awareness raising and socialisation of policy reforms								
<b>20. Policy dialogue, both formal and informal</b> i. Build relationships with GOI officials at national, provincial and local level, and with Statutory Bodies and other quasi-governmental institutions, with interest and stake in program outcomes and sectors ii. Identify critical reform issues of mutual interest to multiple stakeholders iii. Undertake research and analysis of constraints and opportunities, and lessons from international practice of relevance to the policy concern iv. Create forums for discussion and dialogue with individuals and groups, policy and technical, and with internal and external stakeholders, to canvass and create locally-led solutions v. Use formal settings to coalesce ideas and commitment from different parties towards a common understanding and commitment to policy positions (eg high level Ministerial meetings, events, international conferences)								
<b>21. Program planning, management and operations</b> i. Develop Sector Engagement Strategies and Thematic Strategies identified in the scope of the program, as a basis for stakeholder and policy engagement, Activity and Project identification, and for progress monitoring and MERL ii. Provide executive level and senior management services for leadership across the portfolio on strategic planning and performance, research and policy, climate and infrastructure, and private sector and financing;								

<i>Services – functions</i>  PRIMARY RESPONSIBILITY  SECONDARY RESPONSIBILITY	Primary Contractor	Technical Services Team	Financial Markets Advisory Lead	NGO Lead	Investable capital mechanisms (PIDG/ADI etc)	ADB / WB	GOA APS Agencies	DFAT Post
	(Portfolio Management team)	(Primary Contractor)						
and provide technical services across the portfolio in GEDSI, innovation, financing and automation and AI.  iii. Provide a technical services team (Lead Advisers and program coordinators/administrators) with expertise in core sectors of the program (renewable energy; water, sanitation and waste management; and transport and urban connectivity) and personnel to identify, scope, plan deliver, and/or procure and oversee delivery of approved Activities and Projects.  iv. Undertake administrative and logistical support necessary for portfolio, Activity and project level implementation  v. Provide physical and virtual work environment to support effective program services, meeting OHS, SEAH and other compliance obligations.								

Services - functions	Technical Advisory Group (TAG)
1. Maintain current understanding of the policy and operational context for climate, infrastructure and financing programming in Indonesia  2. Provide technical advice to DFAT officers upon request in the areas of: <ul style="list-style-type: none"> <li>- Climate adaptation and mitigation</li> <li>- Development financing</li> <li>- Infrastructure planning and development</li> <li>- Water support, sanitation and waste management</li> <li>- Transport and urban connectivity</li> <li>- Renewable energy</li> <li>- GEDSI</li> <li>- Innovation</li> <li>- Automation and digitalisation (including AI)</li> </ul>	

<ul style="list-style-type: none"> <li>3. Develop and support policy analysis and internal DFAT policy positions in selected sectors and themes</li> <li>4. Facilitate and broker policy discussions amongst internal DFAT stakeholders (but not external stakeholders or Delivery Partners)</li> <li>5. Provide Quality Assurance for DFAT on key technical and program documentation provided by Primary Contractor and Delivery Partners</li> <li>6. Undertake analysis of MERL reporting and data, including AIMR, MTRs and evaluations</li> <li>7. Undertake analysis of GOI policy documentation</li> <li>8. Participate in internal DFAT consultations with other bilateral and regional programs</li> <li>9. Support DFAT representation in external forums and with the GOI, by preparing Talking Points and analysis</li> </ul>	
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## Annex 4 – Monitoring and Evaluation (MEL) Framework

ACTIVITY AND PROJECT REPORTING				
Key Evaluative Questions	Data collection method	Relevant Tier 2 indicators in Blue; Program-specific indicators in Red	Reporting	Responsibility
What Outputs (and Objectives) were delivered (the deliverables)?	Activity Completion Reports	Listing and narrative for each by sector and domain	Activity/Project managers/ implementers	Activity/Project Managers
What was the quality of the deliverables?	Activity Completion Reports	% Activities and Projects meet 80% quality score (adapting DFAT QaE rating system) at completion	Activity/Project managers/ implementers	Activity/Project Managers
Were the inputs delivered on time and on budget?	Partner financial reporting and progress reports	% budget against actual; % Milestones completed (Financial and Milestone reports)	Delivery Partner 6-monthly reporting	Delivery Partner
What was the participation of men and women, people with disabilities?	Partner financial reporting and progress reports	# men and women participants; # PLWDs; by Activity/Project and by Sector; Number of women entrepreneurs provided with financial and/or business development services	Delivery Partner 6-monthly reporting	Delivery Partner
What was the cost?	Partner financial reporting and progress reports	Actual vs Budget; by year	Delivery Partner 6-monthly reporting	Delivery Partner
To which program-wide Activities and Outputs did the deliverable contribute?	MERL MIS data coding	MIS data report of Activity and Project against O, IOs and EOPOs	Primary Contractor 6-monthly reporting	Primary Contractor
What was the utilisation and impact of the Activity/Project?	Selected case studies (by DP) and thematic evaluations (commissioned by PC)	% Activities and Projects that have significant benefit (outcome harvesting reports); examples and case studies	Delivery Partner 6-monthly reporting	Delivery Partners/Primary Contractor

PARTNER-BASED OUTCOMES AND PERFORMANCE				
Key Evaluative Questions	Data collection method	Relevant Tier 2 indicators in Blue; Program-specific indicators in Red	Reporting	Responsibility
1. To what extent have GOI Agencies introduced and learnt from innovation in Activity and Project implementation?	Rapid PEA assessment update compared to baseline	# GOI Agencies engaged in innovation; narrative and case studies on impact by sector	6-monthly report	Primary Contractor, with input from GOI agencies
2. What has changed in the level of private sector participation and confidence in investment opportunities in Indonesia?	Regular private sector confidence and feedback surveys	Number of market actors in key economic sectors supported to expand market access and/or improve supply chain resilience; External metric on business investor confidence in Indonesia (Economist Intelligence Unit/IMF); narrative analysis and case study of changes	Annual survey, with 6-monthly qualitative update	Investment and Advisory Lead Partner
3. To what extent and what ways are communities (particularly women and people with disabilities) more genuinely involved across the infrastructure lifecycle?	Ongoing longitudinal study, with 6 monthly case study and data collection points	ODA funding channelled to Women's Equality Organisations and Institutions; Number of organisations of persons with disabilities (regional/national/state/local) receiving capacity building support; Extent, nature and analysis of changes (longitudinal action-research study on CSO and community (and PLWD) participation in infrastructure planning)	6-monthly report	Lead NGO Partner, commissioned to local research institution
4. To what extent has the GOI attracted high quality finance from multiple sources with support from the MDBs in this period?	Reporting of GOI and MDB loan data (comprehensive, not just directly linked to program inputs)	\$ funding leveraged from MDBs, in preparation and completed agreements	6-monthly update, in 6-monthly Partner Progress report	ADB and WB 6-monthly reporting



5. What policy and regulatory reform has been stimulated by stakeholder coalitions, responding to market interests and government priorities?	Ongoing qualitative and policy analysis of changes in the eco-system and political economy maintained by PC/M&E specialists	Examples of improved policies and regulations in the infrastructure sector. # and organisation type of participants in stakeholder coalitions by sector and issue.	Narrative included in PC's 6-monthly reporting	Primary Contractor, with input from Delivery Partners and stakeholders in 6 monthly Partnership Group meetings
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#### PROGRAM-WIDE ACTIVITIES AND OUTPUTS

Key Evaluative Questions	Data collection method	Relevant Tier 2 indicators in Blue; Program-specific indicators in Red	Reporting	Responsibility
1. What is the balance of the portfolio, across domains (climate, finance and infrastructure) and sub-sectors?	Data analysis summary of Activity and Project data from summary data sheets	# Activities and # Projects: in development - in implementation - completed. Outputs and Objectives coded by sector and type. Number of infrastructure projects supported that meet G20 Principles for Quality Infrastructure Investments, or similar internationally agreed standards.	6-monthly Progress Report	Primary Contractor
1.b To what extent does the program address climate adaptation and mitigation?	Data analysis summary by Activity and Project data, by deliverable, cost, and DFAT Climate codes	Number and value of investments that are contributing to low-emissions development pathways or are supporting mitigation activities and improving climate change adaptation and disaster resilience; Number and value of investments which are promoting/delivering nature-positive outcomes. Number of people for whom Australia's investments have improved adaptation to climate change and resilience to disasters.	6-monthly Progress Report	Primary Contractor

2. To what extent is the program working in an integrated and collective manner?	Data analysis summary by Activity and Project data, against Program-wide Activities and Outputs	Number and % of Activities and Projects that are linked or have interdependences across the portfolio	6-monthly Progress Report	Primary Contractor
3. To what extent is the program working on End-to-end engagement in focus sectors (water, sanitation and waste management; transport and urban mobility; energy transition and renewables)	Data analysis summary by Activity and Project data, against key focus sectors	Number and % of Activities and Projects that are linked or have interdependences in focus sectors. Number of people using: basic or safely managed drinking water services or basic or safely managed sanitation services and/or a handwashing facility with soap and water	6-monthly Progress Report	Primary Contractor
3b. To what extent is policy, reform, financing and performance changing in each sub-sector (water, energy, transport)	Narrative, case study-based reporting of progress against 'Engagement Strategies' and expected pathway for each selected sector-sub-sector	Number and % of Activities and Projects in each sector on track to have 'significant' impact (metric on progress - poor, average, good, very good - by significance - low, moderate, high, very high)	6-monthly Progress Report	Technical and Advisory lead specialists of the PC
3c. To what extent and in what ways is GOI progressing its ambition in renewable energy and meeting stated targets?  To what extent and in what ways is the GOI addressing constraints and opportunities in waste management (and services provided by water utilities of clean safe water and sanitation)  To what extent and in what ways is the GOI addressing low carbon development in transport systems and urban connectivity)	Narrative, case study-based reporting of progress against 'Engagement Strategies' and expected pathway for each selected sector-sub-sector	Sector specific indicators identified in Engagement Frameworks and Project Feasibility Studies for renewable energy, transport and connectivity, waste management	6-monthly Progress Report	Technical and Advisory lead specialists of the PC

4. In what ways are engagement strategies (particularly adopting gender and disability perspectives) considered in all Activities	Narrative, case study-based reporting against the GEDSI Strategy, complemented with MIS data from Activity and Project data	Number and % Activities and Projects making significant progress on GEDSI integration (metric: progress by significance of effort); extent and nature of change (longitudinal action-research study)	6-monthly Progress Report	Technical and Advisory GEDSI specialists of the PC
5. What range of existing and innovative financing modalities are being utilised by the GOI and the program? (grants, loans, equity, investment, climate financing).	Narrative, case study-based reporting against the innovative financing engagement strategy, complemented with data from Activity and Project Data	Number and type of financing instruments being deployed by GOI through Activities and Projects	6-monthly Progress Report	Technical and Advisory lead specialists of the PC
6. What is being learnt from collaboration and innovation in MERL and feedback cycles? (including use of digital technologies)	Ongoing research and reporting updates on innovation and learning, led by the MERL Community of Practice, plus the ongoing reporting against the automation/digitalisation engagement thematic strategy	Extent and nature of learning, adaptation and adoption reported by stakeholders	6-monthly Progress Report	Technical and Advisory lead M&E specialists of the PC
7. To what extent is policy engagement and public diplomacy being undertaken across the program, and what change is being effected?	Narrative report of policy engagement and PD undertaken by DFAT and across the program	Number and type of events and publications (including social media metrics)	6-monthly updated Policy Matrix, annual INMR; narrative reporting from PC across the program, including from Delivery Partners	Technical Support Group support to DFAT internal data collection, analysis and reporting process (with information supplied by the PC)

FOCAL SECTORS AND CONTRIBUTION TO RPJMN OUTCOMES				
<i>Key Evaluative Questions</i>	<i>Data collection method</i>		<i>Reporting</i>	<i>Responsibility</i>
To what extent did BAPPENAS, MOF and relevant line Ministries access customised policy, technical and financing assistance to address strategic priorities?				
How many activities, of what value, were identified, planned and delivered?	Data analysis summary of Activity and Project data from summary data sheets	# Activities and # Projects: in development - in implementation - completed. Outputs and Objectives coded by sector and type.	6-monthly Progress Report	Primary Contractor
How engaged was the Ministry/Agency, and how satisfied are they with the responsiveness, timeliness and quality of inputs provided?	Annual consultation with each participating Ministry/Agency to seek feedback	Partner rating of Not, Somewhat, Completely, Extremely Satisfied agreed with the partner in consultation	Minute record of consultation, provided in 6-monthly and annual Primary Contractor reporting	Primary Contractor
<b>Contribution to RPJMN Outcomes</b>				
To what extent did the GOI meets its RPJMN objectives of:				
<b>Clean energy transition</b>				
Increased self-sufficiency on food, energy, and water as pillars of sustainability to strengthen global competitiveness, including low carbon development, circular economy and green economy transformation	Secondary analysis of GOI reporting on RPJMN progress	taken from relevant GOI RPJMN indicator set - <i>Energy security index; Percentage of new &amp; renewable energy in Primary Energy Mix</i>	Annual synthesis of available GOI reporting; Mid-term and EOP evaluation synthesis of GOI data	GOI/Primary Contractor

<b>Water, sanitation and waste management</b>				
Improved quality, just, resilient, and sustainable infrastructure development supporting delivery of basic services, including integrated upstream to downstream waste management reform	Secondary analysis of GOI reporting on RPJMN progress	taken from relevant GOI RJPMN indicator set - <i>National water security index; Water storage capacity; Urban household access to piped water; Household with access to safe sanitation</i>	Annual synthesis of available GOI reporting; Mid-term and EOP evaluation synthesis of GOI data	GOI/Primary Contractor
<b>Sustainable transport</b>				
Better integrated infrastructure to increase access, reduce logistics cost, & strengthen connectivity, including developing connectivity and multi-mode transportation service, increasing digital connectivity and electricity transition & reducing disaster and climate risk	Secondary analysis of GOI reporting on RPJMN progress	taken from relevant GOI RJPMN indicator set - <i>Infrastructure stock against GDP, Proportion of direct economic loss due to disasters relative to GDP</i>	Annual synthesis of available GOI reporting; Mid-term and EOP evaluation synthesis of GOI data	GOI/Primary Contractor
<b>ASSUMPTIONS</b>				
What changes are taking place in the political economy, related to the global and domestic economy, domestic political context, bilateral relationships, and international system that affect the <b>delivery and performance</b> of the program?	Rapid review of political economy and context each reporting period	<b># issues with significant impact on program delivery and outcomes</b>	6-monthly Progress Report	Primary Contractor
What changes are taking place in the political economy, related to the global and domestic economy, domestic political context, bilateral relationships, and international system that affect the <b>policy priorities and focus</b> for the program?	Ongoing monitoring and review of political economy and context	<b># cables/reports to Canberra with significant recommendations</b>	As needed cables and reporting	DFAT, supported by TAG



ASSESSMENT OF OUTCOMES AND IMPACT				
Key Evaluative Questions	Data collection method		Reporting	Responsibility
Intermediate Outcomes				
1. Is the GOI Public-Private Project Pipeline available and attractive to investors?	Ongoing review of GOI pipeline against baseline assessment	Changes in investor confidence (supplemented by ongoing PEA narrative analysis from FMA Lead)	Primary Contractor Annual Report	Technical and Advisory Lead specialist of PC
2. To what extent are Indonesian agencies and other actors increasingly adopt gender transformative practices across the infrastructure life-cycle?	Ongoing longitudinal research, using case studies and program data, and independent research with CSO/CBOs	# GOI agencies adopting gender practices with significant benefit (metric: progress vs significance)	Primary Contractor Annual Report	Lead NGO Partner, using commissioned research team
3. In what ways are Indonesian agencies and the private sector increasing the use of digital technology and automation (including artificial intelligence)?	Ongoing internal review, against the Thematic Engagement Strategy	# of GOI agencies and significance of automation and AI uptake	Primary Contractor Annual Report	Technical and Advisory Lead specialist of PC
4. How have changes in Indonesia's policy and regulatory environment affected financial capital markets to enable them to take advantage of innovative, green and climate finance opportunities in infrastructure development?	Longitudinal PEA analysis against baseline study using key data and metrics which can be replicated	Extent and nature of changes in enabling environment	Primary Contractor Annual Report	Technical and Advisory Lead specialist of PC, using local research institution
5. How has Australia and Indonesia's bilateral partnership supported a transition from ODA grants-based mechanisms to alternative development financing?	Policy analysis and review of program performance, drawing on all reporting and information	Scale, nature and type of changes of ODA/non-ODA instruments being utilised	Including in cable reporting and in INMRs	Undertaken by DFAT with TWG support

End-of-Program Outcomes				
1. To what extent are economic investments from government, private and community actors increasingly contribute to <b>reducing emissions</b> and <b>adapting</b> to, and <b>minimising the risks from, climate change</b> ?	Annual review of investment in Indonesia from all sources against the RJPMN, drawing on external sources including the GOI NDC reporting	% increases in Total domestic and international Investment in Indonesia; Extent and nature of GOI National Determined Contributions reporting	Annual analysis, PC Annual Report; supplemented by Outcomes Harvesting study	Technical and Advisory Lead specialist of PC, with M&E specialist advice and support; Annual Outcome Harvesting study commissioned long term to local institution
2. In what ways have the Governments of Indonesia and Australia <b>increased utilisation of diverse, innovative and high-quality financing</b> for investment that support Indonesia's development?	Annual review of GOI infrastructure program, including domestic budget and financing, and external financing sources	Number, value and type of financial instruments utilised by GOI and GOA; Additional private funds leveraged to support sustainable development.	Annual analysis, PC Annual Report; supplemented by Outcomes Harvesting study	Technical and Advisory Lead specialist of PC, with M&E specialist advice and support; Annual Outcome Harvesting study commissioned long term to local institution
3. To what extent does the GOI deliver <b>sustainable economic infrastructure</b> (particularly in water, transport and energy) that meets the needs and expectations of the community (women and men, boys and girls, people with disabilities and marginalized communities)?	Annual review of Indonesia's NDC reporting	# and value of major Projects delivered, and # men, women and PLWDs accessing services; Countries supported with policy and technical advice on economic reform and management (including examples and results achieved); Number of local people accessing jobs created by new infrastructure projects, disaggregated by gender where possible	Annual analysis, PC Annual Report; supplemented by Outcomes Harvesting study	Technical and Advisory Lead specialist of PC, with M&E specialist advice and support; Annual Outcome Harvesting study commissioned long term to local institution