



Australia Indonesia Partnership  
Kemitraan Australia Indonesia



# Australia Indonesia Partnership Country Strategy 2008–13



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MAIN COVER IMAGE: *Students celebrate the opening of their school in Kupang, Nusa Tenggara Timur. SATAP Nunkurus School is one of about 2000 junior secondary schools being built or expanded by Australia under the Basic Education Program, contributing to the Government of Indonesia's goal of providing nine years of basic education to all boys and girls.* PHOTO: Karen Ingram, AusAID

SMALL COVER PHOTOS

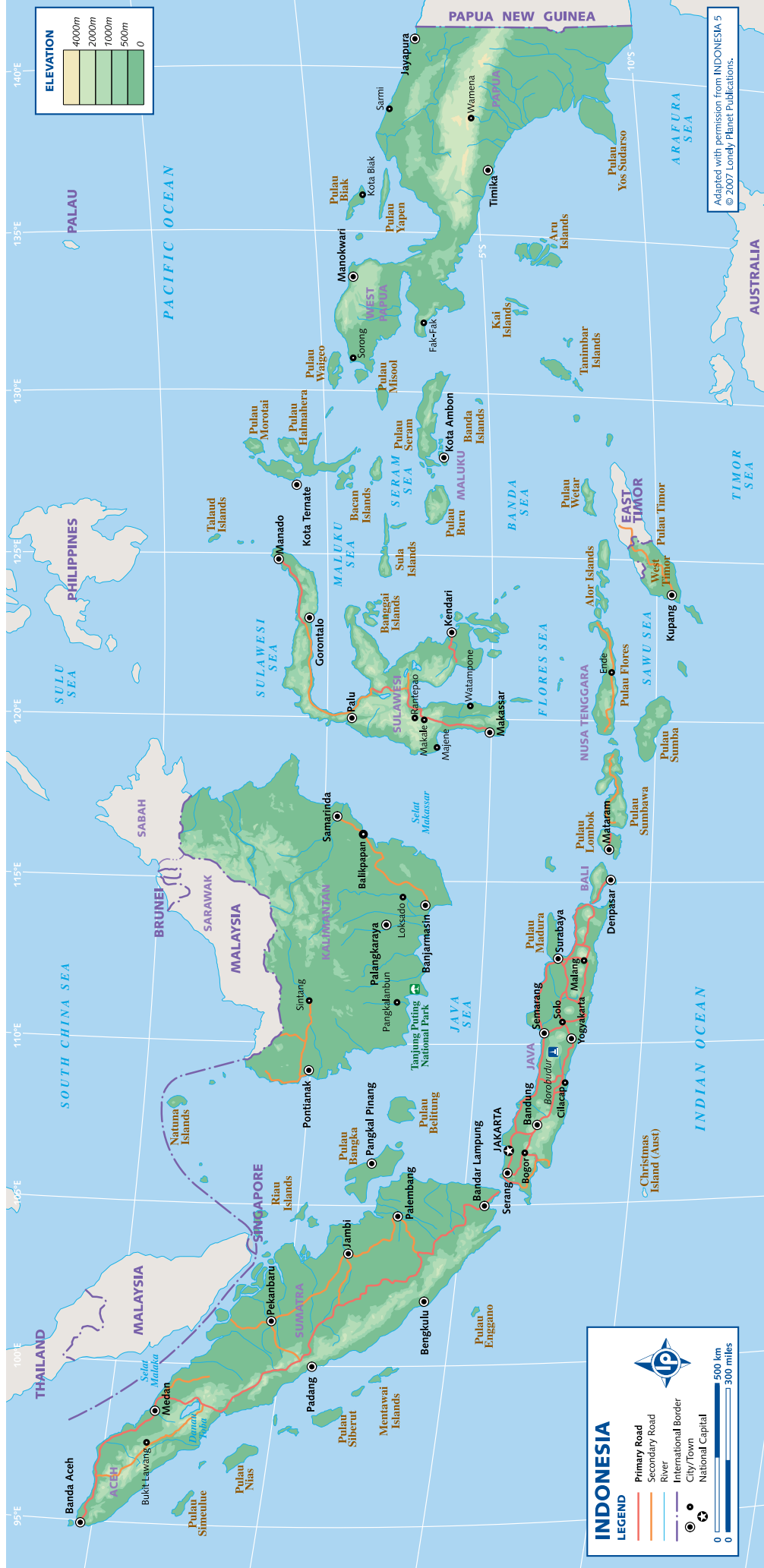
TOP: *Better access to clean water and sanitation is improving quality of life, health and productivity in poor rural villages, including in South Sumatra.* PHOTO: Rani Noerhadhie

MIDDLE: *Staff from Yayasan GAIA, an NGO funded by Australia, provides on the job training for a stonemason and a community member to construct earthquake-safe buildings in Yogyakarta.* PHOTO: Dian Lestari

BOTTOM: *Raising people's awareness of electoral processes and supporting their participation strengthens democracy in Indonesia.* PHOTO: Irene Insandjaja, AusAID

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# Introduction

Australia and Indonesia share a close bilateral relationship, particularly through development cooperation. Given the geographic proximity and mutual interests in a peaceful, stable and prosperous region, both countries have worked on shared objectives and increased their collaboration on environmental issues (including natural disasters), threats from transnational crime and pandemics. The close partnership between the two countries guided the development of the *Australia Indonesia Partnership Country Strategy 2008–13*, which plans for the future by consolidating past achievements and looking at lessons learned.

The Country Strategy, a comprehensive plan of Australia's support for Indonesia, follows the \$1 billion Australia Indonesia Partnership for Reconstruction and Development program (AIPRD), which articulated Australia's long-term commitment to Indonesia's development. The AIPRD funding supported not only tsunami-devastated Aceh, but also large-scale development programs in other parts of Indonesia. As agreed between the Governments of Indonesia and Australia, there will be a single framework for all programs under the Australia Indonesia Partnership (AIP).

The AIP's goal is to ensure this Country Strategy helps achieve sustainable poverty alleviation by delivering the development outcomes outlined in Indonesia's Medium Term Development Plan (*Rencana Pembangunan Jangka Menengah—RPJM*)<sup>1</sup>. The Medium Term Development Plan is aligned with internationally agreed development agendas. As a result, the strategy's outcomes are consistent with the targets set under the Millennium Development Goals (MDGs) and commitments made by donor and developing countries under the Paris Declaration on Aid Effectiveness<sup>2</sup>. A critical aspect of the Paris Declaration is the commitment to work through government systems to ensure ownership and sustainability of development initiatives.

The AIP recognises that Indonesia is still in transition to a decentralised democracy and faces political, economic and social development challenges. Nevertheless economic progress means Indonesia is now classified as a middle-income country. This Country Strategy has been formulated in this context.

1 The current Medium Term Development Plan covers the period 2004–09. Following the establishment of the Medium Term Development Plan 2010–14, a mid-term review of the AIP Country Strategy will be undertaken.

2 The Paris Declaration was endorsed in 2005.

## 2 Economic and socio-political context

**Macroeconomic indicators.** The Country Strategy assumes a medium-growth scenario in the range of 5.5 to 6.5 per cent (the growth rate in 2007 was 6.3 per cent), although it retains the flexibility to adjust support for higher or lower growth rates. Higher growth rates may be difficult to achieve in the short term because of supply constraints, structural rigidities and weaknesses in governance, which are all obstacles to investment and employment creation. While there are no current indications that Indonesia will experience the type of crisis it faced in the late 1990s, the country remains vulnerable to crises triggered by international events.

**Poverty and lagging regions.** Poverty reduction remains a significant challenge in Indonesia with 49 per cent of the population (about 110 million people) still living on US\$2 or less a day. Around 17 per cent of the population live below the national poverty line (according to Government of Indonesia data from 2007). Economic and human development disparities remain across the archipelago between provinces, between districts within provinces, and between rural and urban areas. In selected cities in Java and Bali, for example, the poverty rate is below five per cent, but it is almost 40 per cent in some districts in Papua and West Papua. Furthermore, in the richest urban districts poverty was halved between 1999 and 2006, while in the poorest rural districts it fell by only one sixth. Chart 1 compares data on human development in the region and also within Indonesia. Although Indonesia is now



*The Australia Indonesia Partnership targets the poorest regions in Indonesia, including Nusa Tenggara Timur, to advance the achievement of the Millennium Development Goals. A priority is to ensure access to clean water and sanitation. PHOTO: Donang Wahyu*

classified as a middle-income developing country, many of its provinces and districts are on par with low-income developing countries.

**Millennium Development Goals<sup>3</sup>.** According to 2007 data, Indonesia is likely to meet the MDGs in the areas of poverty reduction, primary education enrolment rates, literacy rates, eliminating gender disparity in primary education, halting the spread of tuberculosis and improving sanitation. Indonesia is also reducing malaria incidence, improving water access, reducing child mortality and improving primary school completion rates, and with sustained effort, will likely achieve these targets.

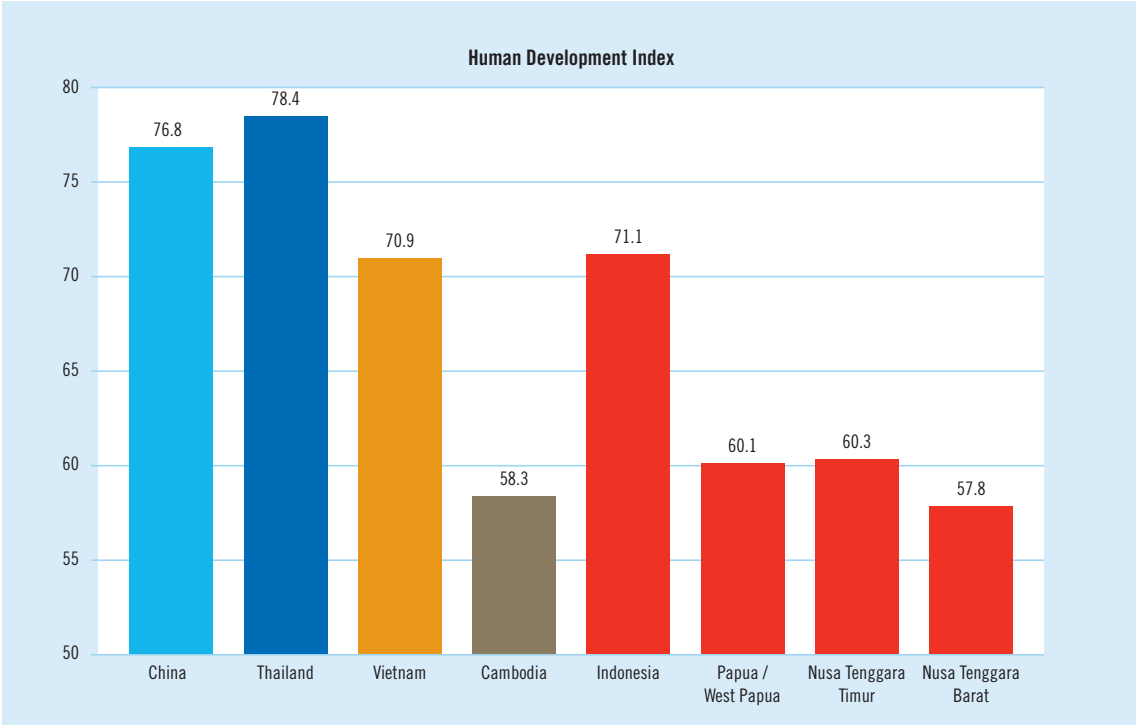
To accelerate progress, Indonesia is working to incorporate the MDGs into provincial and local development planning and budgeting, and strengthen monitoring capacity. Despite this, Indonesia is not likely to meet the maternal mortality, child nutrition, HIV prevalence or environmental sustainability targets without significant investment. Further, country-level data masks regional disparities

and, while many MDGs may well be achieved at the national aggregate level by 2015, the major challenge is to achieve them in every district across the country.

**Decentralisation and impact on service delivery.**

Indonesia’s 2001 and 2004 decentralisation reforms, including the Special Autonomy provisions for Aceh and Papuan provinces, have changed Indonesia’s political, administrative and economic landscape. Other than in specific areas, such as defence and foreign affairs, the bulk of political power and responsibility for delivering service now rests with the provincial and district levels of government. However this increase in authority has not been matched with the human capacity to deliver, or with the financial discipline, accountability and the infrastructure required for effective service delivery. The Government of Indonesia is committed to reforms and has taken significant steps on a number of policy fronts, but sound implementation at all levels is required to ensure economic progress benefits everyone.

**Chart 1: Comparative human development indicators in the region and within Indonesia**



Source: World Bank Development Indicators 2006, BAPPENAS–UNDP Indonesia Human Development Report 2004 and various other UNDP human development reports.

3 At the 2000 Millennium Summit, United Nations member states unanimously adopted the Millennium Declaration, which includes a set of eight Millennium Development Goals designed to focus development efforts on the major challenges facing developing countries up until 2015. These are: (1) Eradicate extreme poverty and hunger, (2) Achieve universal primary education, (3) Promote gender equality and empower women, (4) Reduce child mortality, (5) Improve maternal health, (6) Combat HIV/AIDS, malaria and other diseases, (7) Ensure environmental sustainability, (8) Develop a global partnership for development.

**Governance and corruption.** Poor governance—whether lack of mutual accountability between government, civil society and the public, or corrupt acts—remains a major hurdle to development. Indonesia has made a strong commitment to eradicating corruption<sup>4</sup>. However despite progress in establishing state institutions and the National Action Plan for the Eradication of Corruption (RAN-PK), considerable challenges must still be overcome.

**Gender equality.** The Indonesian Government has strong in-principle commitment to advancing gender equality and women’s empowerment. Progress, however, has been mixed and significant

implementation challenges remain. For example, gender inequalities in accessing health and education in poor rural areas are considerable, and Indonesia has the highest maternal mortality rate in the region with 307 deaths per 100 000 live births (this figure is more than 1000 in Papua). Women are also under-represented in elected leadership positions and management positions in the public service. In addition, they lack economic opportunities and access to credit and other productive resources, creating a wage gap. The challenge is to identify practical, meaningful measures to reduce these inequalities and ensure that men and women benefit equally from development.

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<sup>4</sup> Articulated in President Yudhoyono’s State of the Union speech in January 2007 and illustrated through the creation of the National Action Plan for the Eradication of Corruption 2004–09.

## 3 The development context

### Changing nature of the bilateral relationship.

Indonesia's growing regional and economic status has changed the nature of development cooperation between Australia and Indonesia. Australia's ability to help Indonesia implement its own key policies and programs and establish government-to-government linkages and other practical partnerships is becoming more important. Traditional, stand-alone projects are becoming less relevant to the AIP.

The AIPRD heralded a shift to supporting focal programs identified by Indonesia as directly helping to achieve its goals and objectives. For example, the \$355 million Basic Education Program was designed to help Indonesia reach its own goal of achieving universal junior secondary education by 2009. The Country Strategy builds on this approach.

**Increased use of government systems and harmonisation with other donors.** Australian and international research into development effectiveness has challenged the traditional way Official Development Assistance (ODA) is provided internationally. Indonesia, as a signatory to the Paris Declaration, is keen to ensure full accountability in this area and is now treating loans and grants in a similar manner. There is now strong preference to use Indonesian processes and systems, and for development agencies to better harmonise and coordinate their activities. Indonesia is establishing new donor coordination mechanisms involving sector working groups and Australia will actively participate. This approach is consistent with the Australian internal review of the *Australia-Indonesia*

*Country Strategy 2003–2006* which concluded there is more scope to expand the use of multi-donor approaches to deliver ODA.

The AIP recognises that development assistance can have great impact by using and strengthening the local systems that deliver larger Indonesian programs. In this way Indonesia can better use its own resources and improve its service delivery, particularly at the decentralised level of government. This Country Strategy focuses on the increased use of government systems and harmonised approaches to make aid more effective. However, the Strategy recognises that the shift will be incremental and should be approached on a case-by-case basis to ensure risks are managed and fiduciary concerns addressed.

**Middle-income status and a niche for the AIP's ODA initiatives.** Indonesia's middle-income country status (per capita income of more than US\$910 per annum) means it can no longer access the most highly concessional lending windows of the multilateral development banks but has to borrow at higher rates. At the same time, smaller project loans are being increasingly replaced by larger sector program loans and budget support. This will potentially create a gap in the on-the-ground project level support often needed to implement larger program initiatives and ensure efficiency and effectiveness of aid activities. Indonesia is reluctant to borrow at the higher rate to fill the implementation gap preferring that project-style activities be funded through grants. Providing on-the-ground help through grant funding is therefore a niche area for the AIP.

## 4 The Australia Indonesia Partnership's geographic focus

The AIP initiatives will work at both the national and local (provincial and district) levels of government. Australia must engage at the national level to respond effectively to Indonesia's requests for assistance with national policy and resource allocation issues. The AIP will take a strategic approach and work to achieve sustainable poverty reduction by helping the central ministries that are critical to establishing national policies and systems (such as the Ministry of Finance and the National Development Planning Agency—BAPPENAS) and the ministries that are critical to the Country Strategy's sector focus (such as health, education and forestry). Under decentralisation, increased responsibility for planning, developing budgets and delivering services rests with district-level governments. National activities will inform work at provincial and district levels, and practical support at these levels will feed into national-level engagement.

The Country Strategy's geographic focus recognises five priority provinces which have low development indicators and are among the poorest in Indonesia—Papua, West Papua, Nusa Tenggara Timur (NTT), Nusa Tenggara Barat (NTB) and Nanggroe Aceh Darussalam (Aceh). In these provinces the AIP will adopt a cross-sectoral engagement supported by more concentrated management and program-resource deployment. Recognising the breadth of Indonesia's development challenges and mutual interests, Australia will also provide assistance in critical areas in a small number of other provinces. This includes supporting Islamic education in

### PROVINCE OF ACEH

The AIP remains committed to Aceh's post-tsunami recovery and long-term stability. Australia's post-tsunami effort has successfully rebuilt public infrastructure, helped restore livelihoods and strengthened local government service delivery. The partnership will continue to consolidate these gains but its main focus will change to supporting Aceh's long-term peace and development. It will do this by integrating a range of sectoral activities which recognise that peace building and more effective governance are central to Aceh's development.

The AIP's engagement in Aceh also recognises that the province's fragile, post-conflict nature requires an approach that is sensitive to the Aceh context and immediately promotes stability. Through the AIP, Australia will work closely with Indonesia's national, provincial and district governments to foster peace, stability and prosperity in Aceh. Australia will take a lead role in establishing a donor and government forum for peace and development to restore livelihoods, stimulate local economies and help local government effectively implement services.

Through sectoral initiatives, the AIP aims to build on successes to date and facilitate more responsive, transparent local government service delivery and community demand for better governance, consolidate peace and create economic opportunity for the people of Aceh.

Java, reducing deforestation in Central Kalimantan and promoting rural growth in South and South East Sulawesi.

In response to requests from senior Government of Indonesia representatives, Australian support will increase in Papua and West Papua and the AIP will work closely with the national government and these provincial governments. Support will be in the areas of public administration management in provincial and selected district level governments, delivering key services and creating opportunities for economic

livelihoods. Given the huge challenge that HIV poses in the Papuan region, prevention and care will be an important focus. In NTT and NTB, initiatives will build on established partnerships to improve the public administration's ability to better plan and deliver basic services and generate economic opportunities. In Aceh, the Country Strategy will move away from post-tsunami assistance to a post-conflict program focusing on local-level improvements in government processes, basic services and community participation.



*Australia will work with governments and local communities in Kalimantan to trial approaches to reducing deforestation, helping to cut greenhouse gas emissions. PHOTO: Ruandha Agung Sugardiman*

## 5 Strategic framework

The AIP Country Strategy aims to strategically support sustainable poverty reduction in Indonesia. The goal is for the Governments of Indonesia and Australia to **work in partnership to achieve a more prosperous, democratic and safe Indonesia** by implementing Indonesia's National Medium Term Development Plan. The Strategy's key pillars are:

- Pillar 1** Sustainable growth and economic management
- Pillar 2** Investing in people
- Pillar 3** Democracy, justice and good governance
- Pillar 4** Safety and peace.

A summary of the strategic framework is provided in Appendix 1.

### PILLAR 1: SUSTAINABLE GROWTH AND ECONOMIC MANAGEMENT

Australia will work with Indonesia to deliver:

- > improved natural resource management and response to climate change
- > improved economic policy and strengthened economic management at the central level
- > reduced constraints to infrastructure and productivity growth.

Indonesia's growth rate has slowly started to climb towards pre-crisis rates (seven per cent per annum) and aggregate poverty rates have declined. However,

growth rates to date have not yet generated sufficient increases in employment or reduced poverty sufficiently to meet the country's national goals. Against international ratings Indonesia ranks low on several measures—government competitiveness, business efficiency and investment in physical infrastructure. To be sustainable Indonesia's growth must also account for environmental challenges, such as sustainably addressing climate change, energy demands, natural resource management and access to sufficient water.

Pillar 1 is the foundation of the AIP. It places increased emphasis on helping Indonesia achieve sustainable growth through improved natural resource and economic management. Where appropriate, these programs will be complemented through scientific and technical collaboration between relevant counterpart agencies in Australia and Indonesia. This will involve programs in several areas, such as: climate change and the environment (including animal and plant health and biosafety); infrastructure; rural productivity; and economic management. Australia will also support stronger regional institutions (such as the Association of Southeast Asian Nations—ASEAN—and the Asia-Pacific Economic Cooperation forum—APEC) and assist Indonesia to be more involved and, as a result, reap the economic benefits of regional collaboration.

**Climate change and the environment** will receive an increased share of Australian financial, management and policy dialogue resources. The AIP will work at



TOP: Improving productivity and access to markets for agricultural businesses like this cashew nut producer in Southeast Sulawesi creates economic growth and jobs and reduces poverty. PHOTO: Imran Laping

national, provincial and district levels to strengthen Indonesia's environmental governance, national resource management and help it respond to climate change. Australia's primary intervention will be to help Indonesia reduce greenhouse emissions from deforestation and support sustainable forest management through the forests and climate initiative. Australia will also focus on incorporating climate change principles across the program. Australian support is in the early development phase. Activities will be considered, designed and negotiated with Indonesia and other partners.

**Infrastructure** support, another major focus of the AIP, will contribute significantly to economic growth. Australia is complementing loans from the World Bank, through a \$300 million Eastern Indonesia National Road Improvement Project (EINRIP) loan to rehabilitate around 1000 kilometres of the national road network and replace 4.5 kilometres of steel-truss bridges. In addition, a major new infrastructure facility will start in 2008 to support broader Indonesian infrastructure development at national, provincial and district levels, including improving infrastructure governance. The facility will assess innovative funding options to help meet Indonesia's needs. Once the EINRIP loans are fully drawn down, Australia will provide grant funds to complement the Government of Indonesia's large infrastructure fund, particularly for financing and quality of design and construction. The AIP will give priority to complementing Government of Indonesia

expenditure on infrastructure rehabilitation and development in priority provinces.

**Water and sanitation** has been a significant area of Australia's development assistance to Indonesia since the 1970s. Australia has made small but significant gains towards addressing Indonesia's poor infrastructure and low investment in these areas. Australia will sustain its contribution through direct support and co-financing approaches, emphasising the critical role good policy and effective governance play in delivering water supply and sanitation services. Australia will help the Government of Indonesia formulate policy and fund rural and urban water supply and sanitation at provincial and district levels. Australia will also continue to work closely with other donors, particularly the World Bank.

Indonesia has a highly diversified and predominantly formal microfinance industry. The AIP will continue working with other donors, especially the International Finance Corporation (IFC), to strengthen the management and transparency of microfinance institutions and improve the enabling environment for enterprise development. Focus will include improving the access of rural communities to finance, particularly in priority provinces.

Improving **rural growth** is critical for equitable development across Indonesia. The AIP aims to contribute to rural growth and improved household incomes where it can have a significant impact. Currently it does this by increasing farmer



Across eastern Indonesia, up to 1000 km of national roads and bridges will be repaired to support economic and social development. PHOTO: Dewi Niaga

productivity, supporting better and more equitable access to markets and providing value-added activities on-farm and off-farm. Australia also works closely with the IFC and other donors in rural areas to improve the business-enabling environment, equitable access to finances, sustainability and private-sector involvement in infrastructure, with a focus on priority provinces as well as Sulawesi. Australia's assistance has aimed to promote a more competitive, vibrant and robust **small and medium** enterprise sector in order to make a tangible and sustainable impact in growing the economy, creating employment and alleviating poverty for men and women.

The AIP's support for effective rural and small and medium enterprises is aimed at quality job creation in rural areas, towns and cities. To complement this, the AIP will support social protection and labour market policy reforms. The AIP is interested in generating decent and productive work which improves conditions and ensures equity, security and human dignity. Over the term of the Country Strategy, the AIP will review its engagement in rural growth and small and medium enterprise development to ensure clear strategic direction, effective impact and job creation.

Economic growth can only be sustained through sound **economic management**. The AIP will support the Government of Indonesia's economic reform agenda, build on lessons learned from existing Australian programs such as the Government Partnership Fund and support ongoing dialogue with international financial institutions. The AIP will also help address national economic management and policy issues, including the regulatory environment, in areas such as tax administration, debt management, financial sector regulation, international trade policy

and fiscal policy. There will be an increased focus on ensuring that national economic reforms improve local planning, budgeting and service delivery at the district level, where approximately one-third of government funds are spent. Australia will also help Indonesia to implement the Presidential Instruction on gender mainstreaming (Inpres 9/2000), recognising the poverty reduction and growth benefits of gender equality.

#### THE NATIONAL PROGRAM FOR PEOPLE'S EMPOWERMENT

The National Program for People's Empowerment (PNPM-MANDIRI) is the Indonesian Government's national poverty reduction and job creation program. It coordinates and focuses community development activities and at full development will cover 75 000 villages nationally, with government funding of around US\$800 million per year for reducing unemployment for men and women. There are many links to the PNPM-MANDIRI from other donors and across the AIP. Australia has worked with the World Bank to support the program as a way to efficiently address community poverty alleviation through an Indonesian-led, harmonised approach. Australia has made a significant direct contribution and is seeking to more closely align AIP-community activities to the PNPM-MANDIRI. Australia will investigate how to effectively support the Government of Indonesia and broaden the AIP's contribution to the PNPM-MANDIRI as the program develops in areas such as employment creation, community based economic governance, renewable energy (micro-hydro), community-based water and sanitation, and promoting gender equality.

## PILLAR 2: INVESTING IN PEOPLE

Australia will work with Indonesia to deliver:

- > better health access and systems
- > improved education quality, access and governance.

Achieving the health and education objectives of ‘improved quality, access and governance in basic education’ and ‘strengthening health systems to enable Indonesia to reach the MDG targets for maternal and child health, HIV/AIDS and other major diseases in targeted populations and better manage avian influenza in targeted areas’ are essential if the Indonesian people are to fully participate in the economy, find employment and generate income. A healthy, educated workforce is more productive and can build a more competitive economy. Pillar 2 provides resources to assist Indonesia build the human resource capacity fundamental to achieving growth.

**Education.** Indonesia has made significant progress in meeting the MDG targets in education. Primary school access rates are more than 90 per cent (with

boys and girls enrolled in equal numbers). The Indonesian Government’s priority is to improve quality at all levels, and to achieve universal access to junior secondary education by 2010. However, differentials in reaching these targets between rich and poor districts are considerable. Education is delivered by the Government and by private religious schools with the Islamic schools sector accounting for up to 15 per cent of primary and junior secondary enrolment. Under decentralisation reforms, responsibility for delivering public education is shared between the national, provincial and district levels of government.

The AIP supports the Indonesian Government’s goal of providing nine years of basic education to all boys and girls by helping to improve access to education and the quality and governance of the sector. To achieve this Australia will work towards a more harmonised approach with other major donors, including the European Union, the World Bank and the Netherlands.

To improve the quality and governance of the education sector, Australia will continue to provide assistance directly through bilateral programs and

*Students receive better quality education thanks to improvements in curriculum, teaching materials, teacher training and school management. PHOTO: AusAID*



actively support the Government of Indonesia's progress toward a coordinated multi-donor, sector-wide approach. At the national level, the AIP aims to improve the impact of Indonesia's education resources by providing technical assistance and funding to close the gaps in goods and services in formulating education policy, financing and planning, teacher quality and assurance systems, curriculum and materials, and the development of national standards. Given adequate safeguards, the AIP will continue to support Islamic schools, focusing on reducing the quality divide between public schools and madrasahs. Funds will be provided at the district school level to improve teacher quality and operational management in Government and Islamic school systems. Community participation will be built-in at this level with the aim of replication into Indonesia's broader programs. This ground-level assistance is important in understanding implementation challenges so the pilot activities can feed into improved national level policy and programs.

In 2009, at the completion of Australia's \$200 million Basic Education Program loans component, the AIP will continue supporting school construction, placing priority on lagging provinces and districts. From 2009, grants will be provided through Indonesian systems to model best practice in school construction and transparent procurement practices, which could be incorporated more widely into the education system.

The AIP will target better quality education outcomes for girls. Gender equality will be promoted in all activities to improve the balance in teaching and management positions, address stereotypes in learning materials and provide appropriate infrastructure. To enhance evidence-based policy making, Australia will support Indonesia to develop systems for collecting gender disaggregated data in the areas of enrolment and the number of women in management and leadership roles.

Australia's support in the education sector will be responsive to changing Indonesian policy priorities, including progress towards the MDGs. If Indonesia's MDG targets are fully met, the AIP will consider new areas of support such as elementary and senior secondary education and/or vocational education.

Australia will continue its work in tertiary education, through its large scholarships program.

**Scholarships** are important for promoting development and fostering enduring people-to-people relationships between Australia and Indonesia. Well-targeted, gender-balanced scholarships can be an effective, valuable form of aid—they equip recipients to become leaders, provide access to advanced learning and build a better understanding of a developed economy.

The scholarships program will support all four pillars of the AIP by targeting human resource gaps and future leaders across priority areas. Greater strategic alignment will be achieved between the three elements of the Australian Scholarship program—Australian Development Scholarships, Australian Leadership Awards and Endeavour Scholarships.

Combined Australian Development Scholarships and Australian Leadership Awards will offer Indonesians around 270 places a year in Australian universities. There will be an equal number of places for men and women, emphasis on building capacity in the public sector at national, provincial and district levels, and priority given to applicants from lagging priority provinces. The Australian Scholarships Alumni Network will help develop stronger alumni networks and enable recipients to make the maximum contribution on their return to Indonesia. To fully monitor program effectiveness, longitudinal studies will be undertaken to track the career outcomes of recipients.

**Health.** Indonesia's economic development has improved the health outcomes of much of the population. However, government funding to the health sector remains low by international standards. While health indicators are improving, Indonesia is not on track to meet the MDG targets relating to maternal mortality and the spread and prevalence of HIV. In addition, recent gains at the national level mask disparities in the poorest provinces and regions. Under decentralisation, local governments struggle to find, fund and successfully manage the human resources required to implement their mandate. Public awareness and participation in health issues remains poor and public demand for health sector improvements remains weak.



*Mothers bring their babies in to be weighed at a clinic in Papua, an important health check that helps monitor and improve the health of newborns. Women's health during pregnancy and childbirth and after having their babies is another key focus of the Australia Indonesia Partnership. PHOTO: AusAID*

Over the five years of the AIP the proportion of funding for improving health will increase. The focus will be on strengthening health systems at national, provincial and district levels. The provincial and district levels will focus on maternal and neonatal health services in lagging priority provinces. HIV prevention and care, and working with Indonesia to combat the threat of avian influenza, will remain high priorities. Assistance to improve governance and reduce corruption will be incorporated across health sector activities.

**Health system strengthening.** Strengthening the performance and accountability of health systems is a new area of assistance for Australia. The focus will be on policy support, piloting evidence-based planning and budgeting and supporting stronger feedback between national governments and the provincial and district levels. This will mostly be delivered through technical assistance to build capacity and by funding training and evidence-based planning and data collection so it can be replicated. The AIP will also fund gaps in essential goods and services at the district level.

To help Indonesia meet its maternal mortality goals the AIP aims to increase the number of deliveries attended by skilled birth attendants and reduce the incidence of maternal malaria and anaemia. This will include funding for district health offices so they can improve health service delivery, bottom-up consultative planning, budget processes involving beneficiaries and enhancing public awareness of the health system.

Recognising how disability contributes to and perpetuates poverty in Indonesia, the AIP will develop an approach to ensure that disability issues are adequately considered and addressed. The AIP will explore how best to mainstream disability issues into programming and how to design targeted activities in line with Indonesia's priorities (particularly how to address treatable and preventable blindness by building on the success of and lessons learnt from the Australia-Bali Memorial Eye Centre). The AIP will adopt a broad, inclusive approach to alleviating poverty so the needs of people with disabilities are incorporated into partnership discussions, and the design, review and measurement of programs.

**HIV.** Reducing the spread of HIV and the care of people living with HIV, especially in the Papuan provinces where it has reached general epidemic levels, is a growing priority. The AIP aims to limit the spread of HIV by building the capacity of the national and relevant local governments to respond, and supporting civil society to be involved in policy development and response capacity. Where HIV is impacting heavily on people's lives—primarily in Papua, but also in Java amongst people who inject drugs and also those who are in prison—the AIP will also support care facilities and awareness programs to reduce the stigma of those living with HIV.

Gender inequality is a major factor in HIV transmission, both as a generalised heterosexual epidemic and with injecting drug users and their partners. The AIP will focus on developing more



*Assistance will be provided to disabled people, like polio survivor Pak Ponijo who used a grant to improve his bike repair business in Yogyakarta, helping him support his family. PHOTO: Dian Lestari*

effective behavioural change and prevention approaches involving both men and women, including advocacy on domestic violence. Where there are potential synergies, HIV will be mainstreamed across the development program.

**Avian influenza**, already endemic in Indonesia's poultry population, poses a new and dangerous threat to the country and globally, which requires a sophisticated health systems response. Activities are being trialled to support initiatives already taken by the Government of Indonesia, civil society and other members of the donor community.

The AIP will investigate the use of new, flexible mechanisms to help Indonesia provide quality health services. Issues of foreign debt will be considered and closer attention will be paid to tuberculosis and how to better address this disease over the next five years.

Australia strongly supports donor coordination in the health and HIV sectors and the AIP will actively work to employ co-financing approaches with other donors such as the Asian Development Bank and the Global Fund for HIV/AIDS, Tuberculosis and Malaria.

### PILLAR 3: DEMOCRACY, JUSTICE AND GOOD GOVERNANCE

**Australia will work with Indonesia to deliver:**

- > strengthened capacity, accountability and responsiveness of legal, democratic and oversight institutions and processes
- > improved local government and public financial management, responding to local demand.

Indonesia continues to consolidate its democratic processes and increase government accountability. While good progress has been made since the 1999 transition to democracy, considerable improvements in democratic public institutions and accountability are still needed. Indonesia's Medium Term Development Plan highlights the need to continue with legal reform, to enforce human rights, reduce corruption and improve the quality of public administration. Pillar 3 aims to further develop these key areas of governance, which are necessary to improve government services and confidence in a prosperous Indonesia. The AIP will consolidate its focus within the areas of democracy, justice and good governance and concentrate on where the most significant development gains can be achieved.

Under Pillar 3, the AIP will support Indonesia as it strengthens the capacity and responsiveness of its legal, democratic and oversight institutions and improve the performance of select provincial

and district governments, particularly in public financial management. The focus on select local governments recognises the critical role they play in delivering services following decentralisation. Given the scope of the good-governance challenge, a feature of this support will be piloting different initiatives, monitoring successes and then working with Government to scale up by replicating programs at the national level.

With **legal reform**, the AIP will support improved institutional capacity in the courts and in key government partners. Law-making processes at national provincial, and district levels of government will also be supported. Working with institutional and informal mechanisms, the AIP will seek to improve access to justice for poor and marginalised communities. It will also continue to support human rights and women's rights institutions.

A broader program of support in **democratic governance** will be developed. It will aim to facilitate better public understanding of, and participation in, democratic processes. This will include initial support to Indonesia's National Parliament to improve procedures and record keeping and increase

public knowledge of Parliament's role and processes. Australia will support Indonesia to deliver quality elections at all levels of government, particularly the 2009 national election, build civil society capacity in analysing and monitoring the quality of election processes, and encourage citizens to understand and participate in democratic processes.

Supporting **communities and civil society organisations** (including research institutes) to strengthen rigorous debate and analysis is an important feature of the Country Strategy. The AIP will continue to build the capacity of local communities to demand better governance, reduce corruption, increase access to services and improve participation in democratic processes. This is intended to create an environment of collective learning between the community, organised groups in society (such as non government organisations—NGOs—and civil society organisations) and leaders within government bodies. Work in this sector will build on the success of current activities designed to identify female leaders and agents of change and increase women's involvement in decision making at the community level. There will also be support for

*Raising people's awareness of electoral processes and supporting their participation strengthens democracy in Indonesia.*

PHOTO: Irene Insandjaja, AusAID



partnerships with selected civil society organisations, including mainstream Islamic organisations and organisations supporting demand for gender equality at national and local levels.

Indonesia is yet to embark on a program of wholesale **civil service reform**, however there are some central agencies and local governments trialling improvements in public administration in discrete areas, with the aim of creating a demonstration effect. Australia will continue supporting reform in key sectors, such as health and education, and support local leadership to achieve civil service reforms and improve government performance. Australia will also build on and deepen long-term Australia-Indonesia partnerships with key public institutions to enhance policy coordination and improve accountability and transparency. Assistance to Indonesia to implement its **Anti-Corruption Plan** will be a major focus over the next five years. This will include ongoing support to key institutions in the legal sector, the Corruption Eradication Commission and developing activities strategically targeting areas of corruption (e.g. public financial management and procurement).

Working with the Government of Indonesia and communities to improve **public expenditure management** will be a significant focus at the national level in central and line agencies, and at provincial and district levels. The AIP will selectively focus on district governments in priority provinces to strengthen basic processes and systems for public administration to execute public policy (i.e. through human resource, asset and records management), and ensure the funding for goods and services is effectively planned and budgeted. This support will include piloting incentive-based approaches to improve public financial management and support district-level service delivery. Provincial and district level assistance will be supported by national interventions around public procurement, budget and cash management reforms and also possibly public sector audit reforms. Support will also be given to improve efficiency, transparency and accountability of public procurement in Indonesia. Budget and cash management reforms will build on existing work of Australian agencies and advance Indonesia's own reforms of establishing output and

performance based budgeting and developing a medium-term expenditure framework.

Support for applied **research** will be increasingly important in informing debate and policy settings in Indonesia, including in regional areas. Support will be given to partnerships between Australian, Indonesian and multilateral institutions (where relevant) that can improve Indonesia's capacity to identify relevant research topics and improve the quality of applied research, to underpin all four pillars of the Country Strategy.

#### PILLAR 4: SAFETY AND PEACE

**Australia will work with Indonesia to deliver:**

- > **improved responses to humanitarian needs, emergencies and vulnerability to disasters**
- > **improved capacity to ensure transport safety and security and to counter threats from transnational crime.**

Indonesia's security, stability and economic development are intertwined. This has been underscored by the devastating impact of terrorist acts (such as the Bali bombings), the separatist struggle in Aceh and the transboundary threats from people movement. Indonesia is also acutely vulnerable to large-scale natural disasters that threaten the safety of large numbers of people. Through Pillar 4 Australia aims to help Indonesia improve its ability to respond to these situations, to promptly recover from them and to reduce vulnerability.

Through its response to the tsunami and the Yogyakarta earthquake, Australia has demonstrated that it is an effective and reliable partner in **disaster response**. Australia recognises, however, that responses to large-scale disasters must be coordinated and will work closely with other organisations to develop a more coordinated external response to humanitarian needs and emergencies. Australia aims to provide timely and effective responses to crises, build capacity of Indonesian partners in **disaster preparedness** and response, improve risk analysis and strengthen contingency planning.

Planned support will build on existing partnerships, including strengthening the local capacities of



*Students on Nias Island rehearse a school evacuation drill to prepare them for what to do in an earthquake. Disaster preparedness reduces the risk of injury and death. PHOTO: Mark Travers, AusAID*

two major faith-based community organisations, Muhammadiyah and Nahdlatul Ulama, and will be extended to support the capacity of the Indonesian Red Crescent (Palang Merah Indonesia). The Indonesian Government's National Disaster Management Coordinating Authority, BAKORNAS PB, will be supported at national, provincial and district levels through capacity building. A comprehensive, two-year training program will be implemented for Australia's Jakarta-based, rapid-response team, and Jakarta-based relief stores will be established. To improve risk assessments, regular hazard mapping and a conflict/disaster risk analysis will be undertaken. Australia's provincial and district level focus, in line with Indonesia's decentralisation reforms, includes effective delivery of longer-term food security programs to vulnerable communities (for example in NTT).

Men and women experience different needs as a result of natural disasters, complex emergencies and during times of humanitarian suffering, and they have different capacities to cope. They also have different capacities to help communities prevent and recover from such experiences. Australian activities will continue to design strategies that reflect this and promote gender equality.

Helping Indonesia to improve **transport safety and combat transnational crime** is a key area of mutual cooperation and long-term partnerships. Australian Government departments and specialised agencies will continue to provide targeted and

practical assistance to enhance the capacity of Indonesia's law enforcement, counter terrorism, transport and border control institutions so they can counter transnational crime threats and improve safety standards. In the wake of the 2002 and 2005 Bali bombings, the Australian Federal Police strengthened their partnership with the Indonesian National Police, and helped establish the Transnational Crime Coordination Centre and the Jakarta Centre for Law Enforcement Cooperation. Partnerships between the Australian Department of Immigration and Citizenship and Indonesian authorities will continue to build capacity in areas such as border management and alert systems. Programs being delivered through the Australian Department of Infrastructure, Transport, Regional Development and provincial and district governments in Indonesia will support the country's efforts to improve transport safety and security standards in the aviation and maritime sectors.

Australia is also committed to working closely with Indonesia on a long-term solution to illegal fishing in Australia's northern waters and more broadly in the region. This will be achieved through programs addressing poverty, increasing broad-based growth, and stimulating employment, including in fishing communities. Australia will also help to combat human trafficking, as part of its work in cross-border issues, working with Indonesia and other countries in Southeast Asia.

## 6 Strategy implementation

Building on the strengths of Australia's past development program, there will be increased emphasis on development effectiveness, on promoting strong partnerships with national, provincial and district governments and non-government partners, and on using Indonesian systems. This is a substantial shift from traditional project approaches. In this context, development success over the five years of the Country Strategy will involve assessing whether the AIP is effective in increasing the efficiency and effectiveness of Indonesia's own resources and helping the country achieve its MDG targets nationally.

The AIP will focus on developing enhanced in-country coordination between Australia and Indonesia. Australia will devolve increased design and implementation responsibilities to the AusAID country office and will work with Indonesian counterparts to enhance understanding of the country's systems. Greater technical, analytical, policy engagement, and improved monitoring and evaluation skills will be needed by AusAID officers. The increased focus on partnership will also require enhanced diplomatic, representation, liaison and language skills—to build and maintain these relationships. The AIP will need to continue to use the expertise of targeted advisory services. Further, the AIP recognises that public diplomacy plays an important role in raising public understanding in Australia and Indonesia of the mutual benefits that development cooperation brings to both countries. It is also a key tool for strengthening understanding

of sensitive bilateral issues such as Papua, illegal fishing, HIV, Islamic schooling and counter-radicalisation. The partnership approach will be reflected in all public diplomacy activities.

The AIP is built around four, high-priority issues that cut across the Country Strategy:

- > partnership
- > gender equality
- > combating corruption
- > performance.

### PARTNERSHIP

**Government of Indonesia and using Indonesian systems.** The overall purpose of the AIP is for Australia to work in partnership with the Government of Indonesia to support its development outcomes by aligning with its Medium Term Development Plan. This partnership defines Australia's approach and process of engagement—from the genesis of an idea or request, to program development, monitoring, reporting and review. Programs will respond flexibly to Indonesia's partner needs and the policy context. Peer-to-peer exchanges using expert technical assistance will remain significant as will funding key programs, such as the PNPM-MANDIRI (page 10). The AIP will continue capitalising on the expertise and strengths of a broad range of Australian agencies to best meet the country's needs.



*Under the partnership approach, Australia Government officials exchange technical expertise with Indonesian counterparts.  
PHOTO: HK Logistics Pty Ltd*

Between 2008 and 2013, traditional project approaches will be reduced in favour of helping Indonesia use its own systems and resources more effectively and efficiently. This will be emphasised in Indonesian national line agencies and at the provincial and district government levels where

the bulk of government expenditure is now spent. Alignment with Indonesian systems will be selective and a phased approach adopted. A vigorous risk analysis will identify system weaknesses before Australian funds are released, and the transition will be gradual and iterative to ensure sustainability and

#### USING INDONESIAN SYSTEMS—BASIC EDUCATION PROGRAM

The \$355 million Australia-Indonesia Basic Education Program (AIBEP) is unique. It is the first major program financed by Australia that positions the Indonesian Government as the major driver of this partnership program.

The AIBEP has been designed to support the Indonesian Government's medium-term development goal of having all Indonesian children attend the first nine years of basic education. This is primarily being achieved through the construction of around 2000 schools in the poorest and most remote areas of the country. Construction is financed by AusAID with funds channelled through the Indonesian Ministry of Finance to school construction committees. Additional resources have been provided for a contractor, working under the guidance of the Indonesian Government, to manage the complex administration, financial and other improvements associated with such a large construction program.

The phased implementation of the AIBEP has allowed improvements to be incorporated in each

successive construction cycle. These are then incorporated into and strengthen the Indonesian Government's broader construction program. Improvement examples include: a comprehensive construction management and monitoring database; construction quality checklists; school committees; and roaming field monitors.

Also significant are improved reporting systems that enable consolidated financial statements to be produced for the AIBEP every month, quarter and year; and improved transparency, information dissemination and accountability. These have been achieved by establishing a joint Indonesian/Australian Government complaints-handling system, construction site noticeboards (with details of the budget provided, how to access the complaints system, what type of school is being built, etc.), and a website making all key AIBEP documentation, and annual audited financial statements for the program, available to the public.

Further information on the AIBEP is at:  
[www.bep.or.id](http://www.bep.or.id)

reduce fiduciary risk. These risks will be managed through Anti-Corruption Action plans and assistance to strengthen Indonesian Government systems, such as in public procurement.

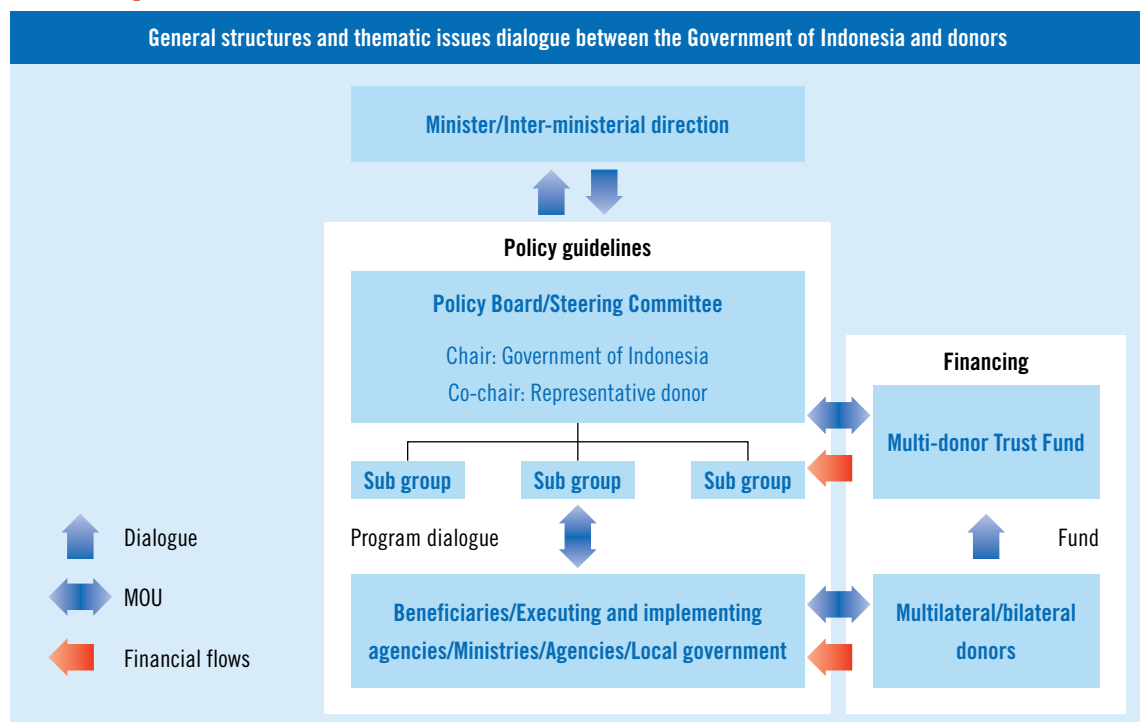
The move towards working within Indonesian systems does not mean an increase in technical assistance alone. While technical assistance will continue to be sourced from Australian agencies, Indonesian and international expertise will also be sourced. Australia will also support Indonesian systems, policies and programs through various other forms of assistance, such as directly funding key Indonesian programs, trialing innovative pilot activities that feed into Indonesian Government programs, and working with local government programs to implement policies and develop long-term capacity.

**Civil society.** The AIP will actively engage with Indonesian groups and individuals in civil society to strengthen public participation in the democracy process and demand for reform. In Indonesia a number of NGOs with a significant role in public discourse are helping with reform at national, provincial and district levels. Recognising the important role Islamic organisations play in the

country’s development, the AIP will build on existing partnerships and create further links with mainstream Islamic organisations committed to diversity, as enshrined in the Constitution. This will include support for women’s organisations at national, provincial and district levels to stimulate demand for gender equality. It will also encourage better linkages with similar groups in the broader Asia-Pacific region.

**Donor harmonisation.** The Government of Indonesia has announced a new coordination mechanism for enhancing donor harmonisation and improving aid effectiveness (Chart 2). This centres on a series of sector programs—initially in education, poverty reduction, decentralisation and climate change. Donors can contribute to the programs through a multi-donor trust fund or bilateral activities aligned to them. Australia will help Indonesia establish this new coordination mechanism and ensure Australian support is aligned. While increased delivery through multi-donor approaches will present challenges for measuring impact and ensuring visibility of the AIP’s contribution, it will provide potential for strong gains in donor effectiveness and efficiency, consistent with the Paris Declaration

**Chart 2: Proposed donor coordination mechanism**



Source: BAPPENAS

on Aid Effectiveness. This risk will be managed by identifying upfront where there are opportunities for joint Australia-Indonesia openings and launches to ensure adequate tangible products and visibility.

The World Bank, Asian Development Bank, the European Commission, the United States Agency for International Development, the United Kingdom's Department for International Development, the German Government's implementing agency (GTZ) and the United Nations are key donors and partners in Indonesia and Australia has already had good success in coordinating some approaches with them. The AIP will also investigate ways to continue building harmonised approaches with these and other donors. This will include investigating ways to engage with newly emergent donors, bilaterally and through multilateral agencies or multi-donor funding mechanisms.

**Giving partnerships time and resources.** Putting the principles of partnership into practice requires collaboration at every step of the program cycle. The AIPRD's strong emphasis on joint design, planning and execution required new approaches to programming based on a more comprehensive understanding of Indonesia's planning and budgetary systems. Developing this understanding and designing genuine, joint implementation approaches with the Government of Indonesia and other partners can lead to delays in delivering programs and disbursing funds. However, these constraints are offset by improvements in program quality and sustainability. The AIP recognises that substantial resources and time are required to implement this approach.

Australia will dedicate resources in country and regional offices in Indonesia to better understand partner systems. Program resources will build an increased knowledge of Indonesia's decentralised environment drawing on analysis of Indonesian systems (budget, public expenditure management, decentralisation and capacity), ailing service delivery and growth, to enhance its ability to effectively support these systems within this environment. Australia will also support provincial and district partnerships through its regionally located officers in Kupang, Makassar and Banda Aceh.

## DECENTRALISATION SUPPORT FACILITY

The Decentralisation Support Facility (DSF) is a multi-donor office that aims to support the Government of Indonesia to address the many challenges facing the country since the commencement of the decentralised approach to core government services, including health and education services. Focus areas have included inter-government fiscal transfers, identifying best practice approaches to support work in a decentralised framework and mapping the work of all donors on decentralisation issues. The DSF aims to ensure that donor harmonisation leads to more effective aid programs and greater benefits to Indonesia's poor.

The DSF has an office in Makassar, serving the 12 eastern provinces of Indonesia. The office focuses on strengthening local governance and community development. It does this through analysis (for example, participatory public expenditure analysis), project design and pilot implementation to customise programs in the provinces as well as supporting information exchange and reform focused regional workshops.

The DSF is the mechanism the Government of Indonesia uses to coordinate technical support for decentralisation. The AIP investment in the facility aims to improve development outcomes by improving the alignment and coordination of assistance and facilitating more effective sharing of information among donors and other development stakeholders. The AIP has seconded officers to the facility in Jakarta and Makassar to support coordinating and strengthening donor and government programs in Indonesia.

## GENDER EQUALITY

Gender equality will be a priority of the AIP. In helping Indonesia reach its MDG gender targets, the Country Strategy will build on the strengths of current activities to promote gender equality that is sensitive to the Indonesian context and is in line with Government of Indonesia's priorities. Australia will certify that gender analysis informs the design and



*Gender equality is a priority of the Australia Indonesia Partnership, with a focus on education including more female teachers, principals and students. PHOTO: AusAID*

implementation of existing and new activities, and that gender specialist input is provided at all peer reviews. It will also ensure accountability for better integrating gender equality principles by building them into management performance appraisals. Furthermore, gender equality will be clearly incorporated in project monitoring and evaluation frameworks and higher level reporting through the Performance Assessment Framework (Appendix 2).

Australia and Indonesia will explore developing specific gender equality activities (such as collecting sex-disaggregated data, piloting gender sensitive budgeting, or helping implement gender equitable processes in public service agencies). To build current strengths and existing relationships in Australia's aid program, governance, community development, health, HIV and education have been identified as priority areas for specific gender equality interventions.

A commitment to promoting gender equality requires sound understanding of gender issues in the Indonesian context, as well as existing policies and laws. Accordingly, the AIP will have a dedicated resource to undertake gender-related research and analysis, to be the focal point on gender issues, and to identify the need for and contribute to the design of gender-specific initiatives. The AIP will also implement ways to ensure accessible gender expertise in Jakarta. It will require contractors, consultants and whole-of-government partners to

substantially address gender equality by building the requirement into terms of reference, selection criteria and performance appraisals, and by being vigilant in monitoring progress. The AIP will also ensure that clauses covering the collection of sex-disaggregated data are included in contracts and agreements with implementation partners.

## COMBATING CORRUPTION

The Australia Indonesia Partnership Anti-Corruption for Development Plan 2008–13 was developed through intensive consultation with key stakeholders in the Indonesian and Australian governments, as well as civil society and donors in Indonesia. It provides a strategic framework for Australian assistance to Indonesia's anti-corruption efforts and aims to help Indonesia bring about a sustainable reduction in corrupt behaviour. The plan focuses on:

- > supporting the Government's own anti-corruption strategies and priorities by building implementation capacity, policy dialogue and strengthening Indonesia's ability to monitor its anti-corruption efforts
- > strengthening Australian and Indonesian government systems to ensure the transparent and accountable use of development funding
- > developing activities to help Indonesia combat and prevent corruption.

## PERFORMANCE

The Country Strategy will see increased emphasis on measuring the effectiveness of Australia's development assistance through a comprehensive Performance Assessment Framework. The framework will specify the key areas where the AIP will track results under each Country Strategy objective. Supporting documents have also been developed to specify where the AIP is contributing to Government of Indonesia development targets, as well as the baselines, targets and indicators to be used to monitor performance under each Country Strategy objective. An annual assessment of progress against the Strategy will be undertaken using the framework, where possible based on joint assessment with the Government of Indonesia. The AIP will ensure the improved targeting and use of resources through:

- > Using the Government of Indonesia's MDG indicators and monitoring systems wherever possible to track progress of Australian aid

initiatives while working to strengthen the systems and use the information gathered to formulate policy decisions.

- > Strengthening the Government of Indonesia's performance systems in priority areas, including: provincial and district governments in priority provinces (especially in service delivery, but also in financial management); central agencies (BAPPENAS, Ministry of Finance); and the Ministry of Education.
- > Using the incentive-based activities and the Decentralisation Support Facility to encourage strengthened evidence based policy-making at the local level by providing financial incentives to local governments that demonstrate improved performance.

Following the Indonesian elections in 2009 and the development of a new Medium Term Development Plan for 2010–14, a mid-term review of the AIP will be undertaken to ensure ongoing alignment with Australian and Indonesia government priorities.

## APPENDIX 1: STRATEGIC FRAMEWORK: AUSTRALIA INDONESIA PARTNERSHIP 2008–13

<b>Goal</b>	To work in partnership with the Government of Indonesia to achieve a more prosperous, democratic and safe Indonesia <i>High priority issues: Partnership, gender equality, combating corruption, performance</i>	
<b>GOI medium-term development objectives</b>	<b>Creating a prosperous Indonesia</b>	
<b>Australia's focus areas and approach</b>	<p><b>Pillar 1: Sustainable growth and economic management</b></p> <p>Australia recognises Indonesia's growing economic prosperity and role in the regional and global economies. The AIP will provide expert technical and peer-to-peer exchanges to help Indonesia enhance the broad-based benefits of its growth.</p> <p>Targeted assistance to poor provinces with low human development indicators will be the focus of innovative activities to reduce constraints to growth.</p> <p>Increased focus on partnering with Indonesia and other donors on climate change and sustainable natural resource management, particularly through reducing emissions from deforestation.</p>	<p><b>Pillar 2: Investing in people</b></p> <p>Indonesia is increasing its investment in its people, particularly by providing health and education services.</p> <p>Australia will work in partnership with Indonesia to strengthen its policies, systems and practices at the national, regional and district levels to improve service provision and outcomes for men and women.</p> <p>The AIP will provide support where there are opportunities for:</p> <ul style="list-style-type: none"> <li>&gt; assistance that align with Indonesian programs and have a feedback link to improving national, regional and district policy and practice</li> <li>&gt; increased civic demand for improved health and education outcomes.</li> </ul>
<b>Australia's major agencies of engagement</b>	AusAID; Departments of Foreign Affairs and Trade; Treasury; Climate Change; Environment, Water and Heritage and the Arts; Agriculture, Fisheries and Forestry; Finance and Deregulation; Education, Employment and Workplace Relations; Australian Centre for International Agricultural Research; Australian Bureau of Statistics; Australian Taxation Office; Reserve Bank of Australia; Australian Securities and Investment Commission; Australian Prudential Regulation Authority; Australian National Audit Office; Australian Public Service Commission; Department of Families, Housing, Community Services and Indigenous Affairs.	AusAID; Departments of Education, Employment and Workplace Relations; Health and Ageing; Agriculture, Fisheries and Forestry; Foreign Affairs and Trade.
<b>What success will look like</b>	<ol style="list-style-type: none"> <li><b>1 Improved natural resource management and response to climate change.</b></li> <li><b>2 Improved economic policy and strengthened economic management at the central level.</b></li> <li><b>3 Reduced constraints to infrastructure and productivity growth.</b></li> </ol>	<ol style="list-style-type: none"> <li><b>4 Better health access and systems.</b></li> <li><b>5 Improved education quality, access and governance.</b></li> </ol>
<b>What partnership means</b>	<p>Changing the ways Australia delivers development assistance to work in closer partnership with Indonesia. Focus on assistance. Focus on strengthening and working within Indonesian systems and selectively partnering with key Indonesian institutions. Supporting Indonesia's need for targeted technical assistance and peer exchange to achieve improved sustainable outcomes. Partnerships will be used selectively and based on equity and transparency.</p> <p>Australia will evolve the way it develops and delivers assistance. A solid understanding of Indonesian policies and systems will form the basis of analysis and program development.</p> <p>Where other donors are leading, the AIP will coordinate with them and use multi-donor funds with the end aim of supporting Indonesian policies and systems.</p>	
<b>Where we will work</b>	<p>Focus will be at national and sub-national levels. Australia will a) target economic growth, b) support service delivery to provinces with high levels of poverty and c) accelerate support for lagging regions. Australia will focus on providing assistance to Papua, West Papua, East and West Nusa Tenggara, and Aceh. This focus will enable Australia to cumulatively build upon successes to achieve multiplier effects and achieve greater impact within these provinces.</p> <p>The AIP will provide assistance outside these five key provinces where:</p> <ul style="list-style-type: none"> <li>&gt; achievement of specific sectoral objectives requires a broader geographic focus</li> <li>&gt; working through Indonesian systems and Government of Indonesia determines assistance priorities.</li> </ul> <p>Australia will work in other provinces and districts to address problems that impact on Indonesia and Australia's mutual interests. This includes, but is not limited to, supporting Islamic education in Java, forestry in West and Central Kalimantan and rural livelihoods in South and Central Sulawesi.</p>	

Establishing justice and democracy for all citizens	Ensuring a safe and peaceful Indonesia
<p><b>Pillar 3: Democracy, justice and good governance</b></p> <p>The AIP focus will be on strengthening the capacity and responsiveness of legal, democratic and oversight institutions.</p> <p>The AIP will also enhance the engagement of civil society to increase demand for good governance.</p> <p>The AIP's assistance will focus on deepening long-term partnerships with key public institutions by providing expert peer assistance, and improving public expenditure management across government.</p>	<p><b>Pillar 4: Safety and peace</b></p> <p>The AIP assistance will focus on helping Indonesian institutions effectively manage disasters, complex emergencies and transnational crime and threats.</p> <p>The AIP will respond to emergencies where Indonesia asks for assistance and will integrate disaster risk reduction principles across the program.</p> <p>When AIP responds it will work in partnership with the Government of Indonesia and Indonesian-based organisations.</p>
<p>AusAID; Departments of Foreign Affairs and Trade; Prime Minister and Cabinet; Attorney General's Department; ANAO; Treasury; Finance and Deregulation; Australian Bureau of Statistics; Commonwealth Ombudsman; Australian Electoral Commission; House of Representatives; Department of the Senate; Federal Court of Australia; Australian Federal Police; Department of Education, Employment and Workplace Relations.</p>	<p>AusAID; Australian Federal Police; Department of Defence; Department of Foreign Affairs and Trade; Department of Immigration and Citizenship; Australian Customs Service; Austrac; Department of Infrastructure, Transport, Regional Development and Local Government; Department of Agriculture, Fisheries and Forestry; Attorney General's Department; Department of Education, Employment and Workplace Relations.</p>
<p><b>6 Strengthened capacity, accountability and responsiveness of legal, democratic and oversight institutions and processes.</b></p> <p><b>7 Improved local government and public financial management, responding to local demand.</b></p>	<p><b>8 Improved responses to humanitarian needs, emergencies and vulnerability to disasters.</b></p> <p><b>9 Improved capacity to ensure transport safety and security and to counter threats from transnational crime.</b></p>

<p><b>Areas where Australia's aid will phase out, or evolve</b></p>	<p>Programs will be phased out, or evolve when they cannot demonstrate that they meet these criteria:</p> <ul style="list-style-type: none"> <li>&gt; innovatively working towards replication/adoption by Indonesia</li> <li>&gt; feeding into Indonesia policy or programs</li> <li>&gt; building civic participation and building demand for improved development outcomes</li> <li>&gt; contributing to Country Strategy objectives.</li> </ul>
<p><b>Implementation of high-priority issues</b></p>	<p>Advancing gender equality and empowering women through more equitable involvement in development and decision making across the whole program. Ensuring gender equality principles are incorporated into design, monitoring and reporting of all initiatives and the overall program. Priority areas include: governance (including pilots of gender sensitive budgeting), community development, health, HIV and education.</p> <p>Make combating corruption a major focus across all Australian activities. Support Indonesia's own efforts which target public procurement and financial management. Help Indonesia achieve a sustainable decrease in corruption (in accordance with Indonesia's anti-corruption plan). Strengthen Australian and Government of Indonesia systems to ensure the transparent and accountable use of government funds.</p>
<p><b>How we will measure our success</b></p>	<p>The Country Strategy's Performance Assessment Framework will be the basis for monitoring Australia's aid program. This will be achieved through Annual Program Performance Updates.</p> <p>Allocate greater resources to ensure clearer accountability for program effectiveness. Improve Australia's understanding and support for Government of Indonesia information systems to strengthen the monitoring of Australia's activities. Where possible, help strengthen Indonesia's ability to monitor its own policies and align the monitoring of Australian activities with these systems.</p>

## APPENDIX 2: PERFORMANCE ASSESSMENT FRAMEWORK FOR THE AUSTRALIA INDONESIA PARTNERSHIP 2008–13<sup>1</sup>

Creating a prosperous Indonesia				
Sustainable growth and economic management			Investing in people	
<b>1. To improve natural resource management, and response to climate change</b>	<b>2. To improve economic policy and strengthen economic management at the central level</b>	<b>3. To reduce constraints to infrastructure and productivity growth</b>	<b>4. To strengthen health systems to enable Indonesia to reach the MDG targets for maternal and child health, HIV/AIDS and other major diseases in targeted populations and better manage avian influenza in targeted areas</b>	<b>5. To improve quality, access and governance in basic education</b>
<p>Measurement to focus on:</p> <ul style="list-style-type: none"> <li>&gt; development of national and sub-national policy frameworks on reduced emissions from deforestation and degradation (REDD)</li> <li>&gt; ability to measure greenhouse gas emissions from deforestation and degradation to a level of accuracy that provides access to major international carbon markets</li> <li>&gt; reduced greenhouse gas emissions, through reducing deforestation in REDD demonstration activity areas (MDG).</li> </ul>	<p>Measurement to focus on:</p> <ol style="list-style-type: none"> <li>1. Improved fiscal sustainability                             <ul style="list-style-type: none"> <li>&gt; tax administration</li> <li>&gt; sustainable debt management</li> <li>&gt; financial management including budget, cash management and procurement.</li> </ul> </li> <li>2. Improved financial stability and regulation                             <ul style="list-style-type: none"> <li>&gt; capital and prudential market supervision</li> <li>&gt; oversight and management of financial system vulnerabilities</li> <li>&gt; financial flows between central and local levels.</li> </ul> </li> </ol>	<p>Measurement to focus on:</p> <ol style="list-style-type: none"> <li>1. Rural productivity                             <ul style="list-style-type: none"> <li>&gt; gender sensitive models for agricultural productivity and access to markets developed and disseminated</li> <li>&gt; access to markets, information and finance for men and women.</li> </ul> </li> <li>2. Road infrastructure                             <ul style="list-style-type: none"> <li>&gt; level of policy, regulatory, capacity and financing constraints on infrastructure investment at national and sub-national levels</li> <li>&gt; journey times and vehicle operating costs in target areas</li> <li>&gt; effectiveness of design and construction supervision procedures including adherence to Government of Indonesia road procurement procedures.</li> </ul> </li> <li>3. Water and sanitation                             <ul style="list-style-type: none"> <li>&gt; number of people with access to water and sanitation facilities in targeted areas (MDG)</li> <li>&gt; integration of national water supply and sanitation policy in local government strategic planning and budgeting.</li> </ul> </li> </ol>	<p>Measurement to focus on:</p> <ul style="list-style-type: none"> <li>&gt; engagement of communities, performance and management of health services in the improvement of maternal and neo-natal health in targeted areas (incl MDG No.5 on maternal health)</li> <li>&gt; capacity of Indonesian partners to lead, plan, manage and increasingly fund the HIV program in target areas, including in a gender- sensitive way</li> <li>&gt; Capacity to recognise and control avian influenza in poultry and enhanced ability to detect and respond to human cases in targeted areas</li> <li>&gt; progress against selected targets drawn from Government of Indonesia's strategic health plan.</li> </ul>	<p>Measurement to focus on:</p> <ul style="list-style-type: none"> <li>&gt; gross and net enrolment rates at primary and junior secondary levels (GER, NER) in targeted districts (contributes to MDGs)</li> <li>&gt; completion rates at primary school and junior secondary school in targeted districts</li> <li>&gt; percentage of schools and associated education institutions and systems meeting BSNP national education standards in targeted districts</li> <li>&gt; ability to track education sector performance and use findings to inform resource allocation and financial management at national and local levels.</li> </ul>
<b>Partnerships</b>	<ol style="list-style-type: none"> <li>1 How have long-term sustainable institutional relationships been built between Australia and Indonesia?</li> <li>2 How has the AIP contributed to innovation and/or strengthened systems within Indonesian institutions?</li> <li>3 How has the AIP used Indonesian systems, especially procurement?</li> <li>4 How has the AIP been partnering with other donors under Government of Indonesia direction? How is the AIP measuring up to Paris Declaration commitments?</li> </ol>			
<b>Anti-corruption</b>	<ol style="list-style-type: none"> <li>1 How has the AIP helped Indonesia achieve a sustainable decrease in corrupt behaviour in accordance with the Australia-Indonesian Anti-corruption plan?</li> <li>2 How has the AIP strengthened Australian and Indonesian systems to ensure the transparent and accountable use of development funding?</li> </ol>			

<sup>1</sup> The Performance Assessment Framework will be subject to annual review.

Establish justice and democracy for all citizens		A safe and peaceful Indonesia	
Democracy, justice and good governance		Safety and peace	
<p><b>6. To improve capacity, accountability and responsiveness of legal, democratic and oversight institutions and processes</b></p> <p>Measurement to focus on:</p> <ul style="list-style-type: none"> <li>&gt; progress against Supreme Court and Attorney General's Office institutional reform plan</li> <li>&gt; access to justice for women and the poor</li> <li>&gt; capacity of the Attorney General's Department and Corruption Eradication Commission to conduct investigations</li> <li>&gt; progress against selected indicators from the National Action Plan on Human Rights</li> <li>&gt; transparency, accountability and accessibility of Parliament to men and women</li> <li>&gt; management of the electoral process and men's and women's understanding of elections.</li> </ul>	<p><b>7. To improve planning and delivery by local authorities, including through strengthened public financial management, and improve capacity of communities to demand greater accountability and better access to services</b></p> <p>Measurement to focus on:</p> <ul style="list-style-type: none"> <li>&gt; procurement, resource allocation and public financial management at local level, including in education and health</li> <li>&gt; increased understanding of, demand for and participation by civil society and local universities in provincial planning, budget and delivery processes</li> <li>&gt; incremental local government reform agendas prioritised and implemented.</li> </ul>	<p><b>8. To respond to, and reduce vulnerability to, disasters, humanitarian needs and complex emergencies</b></p> <p>Measurement to focus on:</p> <ul style="list-style-type: none"> <li>&gt; capacity of the Government of Indonesia at central and provincial level capacity of civil society and communities to respond to disasters</li> <li>&gt; timeliness and effectiveness of Australia's response</li> <li>&gt; effectiveness and appropriateness of food aid delivery</li> <li>&gt; stabilisation of displaced populations and support for their sustained return.</li> </ul>	<p><b>9. To improve capacity to ensure transport safety and security to counter threats from trans-national crime</b></p> <p>Measurement to focus on:</p> <ul style="list-style-type: none"> <li>&gt; secure public health laboratories</li> <li>&gt; management of aviation and maritime safety</li> <li>&gt; effectiveness of law enforcement agencies to successfully detect and disrupt crime and/or prosecute offenders</li> <li>&gt; strengthened migration and border control management to address risks associated with the irregular movement of people</li> <li>&gt; capacity to counter threats from trans-national crime</li> <li>&gt; capacity of Government of Indonesia to detect and manage illegal fishing.</li> </ul>

<b>Gender</b>	<ol style="list-style-type: none"> <li>1 Has the AIP promoted more equal access by women and men to services and democratic processes?</li> <li>2 How has the AIP promoted equality of decision making by women and men?</li> <li>3 How has the AIP helped promote women's rights?</li> <li>4 How has the AIP developed its understanding of the constraints to equality for women and men?</li> </ol>
<b>Performance orientation</b>	<ol style="list-style-type: none"> <li>1 How has the AIP improved its performance arrangements at initiative and sector level?</li> <li>2 How has the AIP used Government of Indonesia performance information for monitoring?</li> <li>3 How has the AIP improved evidence based policy making in Government of Indonesia?</li> </ol>

