



Indonesia Annual Program Performance Report 2011

July 2012

Contents

July 2012	1
Context	3
Program objectives and strategy	4
Summary of results in 2011	7
Performance by sector	9
Education	10
Management consequences	12
Scholarships	13
Management consequences	14
Health	14
Transport and connectivity	17
Management consequences	19
Water and sanitation	19
Management consequences	21
Social protection and community driven development	22
Management consequences	24
Climate change	24
Management consequences	26
Disaster risk management	27
Management consequences	28
Governance	29
Bureaucratic reform	31
Management consequences	32

Decentralisation	32
Management consequences	33
Economic governance	34
Management consequences	35
Elections	36
Management consequences	37
Law and justice	37
Management consequences	38
Rural livelihoods and agribusiness	39
Management consequences	39
Program quality	40
Management consequences	44
HEADLINE RESULTS SUMMARY – INDONESIA PROGRAM	47
Annex 1: Summary of Indonesia program’s sector objectives in 2011	51
ANNEX 2: Quality at Implementation reports in 2011	54
Annex 3: Follow through of 2010 APPR management consequences	57
Annex 4: List of abbreviations	62

Context

Indonesia has entered its second decade of decentralisation. The country now has more than 500 regions, 33 provinces, more than 490 districts and municipalities, and counting. Local democracy is blooming, with close to a hundred local elections that took place in 2011 alone. However, in some cases disputes highlighted a lack of public confidence in the election process. More than a third of Indonesia's national budget is now transferred to and spent at provincial and district governments. Although, 60 to 70 per cent of these funds are spent on salaries, leaving only limited resources to achieve development objectives. Indonesia's economy grew rapidly in 2011, with real GDP growth of 6.5 per cent driven by strong growth in investment and services. Broader optimism about the economic performance of the country was reflected in the upgrade of Indonesia's credit rating during the year. Economic performance has been influenced by strong demand for Indonesia's commodity exports as well as high prices on world markets. Strong real growth, combined with the strength of the Rupiah, moved GDP per capita to US\$3540 in 2011. Indonesia also experienced a decline in inflation during 2011, reaching a two year low of 3.6 per cent in February 2012.

Strong economic growth has contributed to a continued reduction in the percentage of the population living in poverty. The percentage of Indonesia's population living below the national poverty line (US\$0.82 a day, at July 2011) fell from 13.3 per cent in 2010 to 12.5 per cent in 2011. If this trend continues, the Indonesian Government target of reducing poverty to 8 to 10 per cent by 2014 is achievable.

Indonesia will continue to face serious poverty challenges for the foreseeable future due to the enormous variation in poverty rates around the country, high levels of poverty vulnerability and lacklustre performance in non-income poverty measurements. The movement of people in and out of poverty is very volatile, requiring the government and its development partners to focus equally on the poor and the near poor. By 2015 however, even if the poverty rate declines to 8 per cent, many people are unlikely to have moved far above the poverty line and will remain vulnerable.

Policy makers also face a dilemma in dealing with poverty: the majority (17.3 million) of poor people live on the island of Java, but the provinces with higher shares of poor people are all off Java. Poverty incidence remains particularly high in the periphery of the country—Papua (36.7 per cent), Papua Barat (34.9 per cent), Maluku (27.7 per cent), Gorontalo (23.2 per cent), Nusa Tenggara Timur (23.0 per cent), Nusa Tenggara Barat (21.6 per cent) and Aceh (21.0 per cent)—but there are only 4.5 million poor people in these seven provinces. This poses a challenge, since the policies that will reach the largest number of poor people are likely to be quite different from those that will reach provinces with the greatest depth of poverty.

Indonesia is attempting to put in place a more comprehensive system of social insurance. National community grant programs have helped to reduce poverty at the local level, and social safety net systems have been extended to more of the population. However, Indonesia aspires to provide broader coverage for its population. For example, the government has committed to achieve universal health coverage by 2014 and has started to put in place the mechanisms for achieving this. Similarly the government is planning to move from nine years of compulsory schooling to 12 years and is attempting to improve the quality of education.

The Presidential Working Unit for Supervision and Control of Development (UKP4) has continued to push forward the president's reform agenda, and the vice president's office coordinates the highest priority reforms. But differences between the political parties in the cabinet have hampered efforts and slowed progress in key areas such as bureaucratic and judicial reform. The special Unit for Accelerating Development in Papua and West Papua Province (UP4B) has tried to address both the political and economic problems facing Indonesia's poorest two provinces, but has not yet succeeded.

Indonesia's comparative performance on non-income indicators of poverty is of significant concern. As many as one in three children under five are stunted in their growth due to malnutrition. Indonesia has the 17th highest proportion of stunting in the world (and is in the top seven in terms of absolute numbers). An Indonesian child under five is seven times more likely to die than an Australian child. Half the population lacks adequate sanitation and one-fifth does not have access to safe water. Official figures estimate a rate of 228 maternal deaths per 100 000 live births, similar to Burma (219) and much worse than other lower middle-income countries such as Vietnam (64) and the Philippines (84). Indonesia is also unlikely to meet its MDG target of halting and reversing the spread of HIV and providing universal access to HIV treatment for those who need it.

Service delivery quality in health and education remain poor. The minimum service standards have not been met in most regions. There has been lack of clarity in how the sub-national government will implement the standards. Most of local government's budgets are not adequately resourced to finance the fulfilment of these. However, a few sub-national governments were able to deliver better governance and services to their citizens. Creativity, participatory public policy making, visionary and innovative leadership, and ability to make bureaucratic breakthroughs, were some of the crucial elements found in those successful local governments.

Finding the balance between economic growth, vibrant local democracy, effective governance, and higher social accountability has been, and will continue to be, the main challenges for Indonesia's development. Australia was positioned well to assist Indonesia with these challenges in 2011. Relations between Indonesia and Australia remained strong. The Australian aid program was viewed very positively by Indonesia as well as by donors active in Indonesia. Australia's contribution in the calendar year of 2011 was \$350.9 million, which made Australia the largest bilateral grant donor to Indonesia, and AusAID continued to gain good access to cabinet level ministers and to very senior government officials.

For 2012, management will focus more on the implications of the upcoming elections. National elections occurring in 2014 will be a factor that could both support our work as the current cabinet seeks to demonstrate its poverty reduction credentials, or constrain our programming with attention being diverted from key issues and with programs becoming politicised. Management will give this greater attention and focus on ensuring that there is a post 2014 plan in place and that there is broad understanding of the value of the social protection and poverty programs through improved communication strategies.

Program objectives and strategy

As the Australia's largest country program, the Indonesia program offers scale and diversity. However, despite its size, it represents only 0.43 per cent of the Indonesian

Government's budget. It must therefore operate strategically to complement Indonesia's priorities. The program goal¹ is to work in partnership with the government to achieve a more prosperous, democratic and safe Indonesia. We pursue this across four development pillars with nine objectives.

Pillar 1: Sustainable growth and economic management

1. To improve natural resource management and respond to climate change.
2. To improve economic policy and strengthen economic management at the central level.
3. To reduce constraints to infrastructure and productivity growth.

Pillar 2: Investing in people

4. To strengthen health systems to enable Indonesia to reach MDG targets for maternal and child health, HIV/AIDS and other major diseases in targeted populations, and better manage avian influenza in targeted areas.
5. To improve quality, access and governance in basic education.

Pillar 3: Establish justice and democracy for all citizens.

6. To improve capacity, accountability and responsiveness of legal, democratic and oversight institutions and processes.
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.

Pillar 4: Safety and peace

8. To respond to, and reduce vulnerability to, disasters, humanitarian needs and complex emergencies.
9. To improve capacity to ensure transport safety and security to counter threats from transnational crime.

During 2011, we delivered against these objectives across 10 broad sectors: education, health, transport and connectivity, water and sanitation, social protection and community driven development, climate change, disaster risk management, governance, law and justice, and rural livelihoods and agribusiness.

While the structure of the program outlined above preceded the recently introduced Australian Government Comprehensive Aid Policy Framework, the program contributes to the five high level development results under the framework. The country program has made notable progress towards most of the 30 indicators that correspond to the results (see the headline results summary table at the end of this report)². As new designs and sector strategies are being developed, the Indonesia program will continue to align its objectives and programs to the framework, which will reach full alignment when the new country strategy is finalised in early 2013.

¹ Australian Indonesia Partnership Country Strategy 2008–2013, Appendix 1: Strategic Framework: Australia Indonesia Partnership 2008–13.

² Comprehensive Aid Policy Framework was released by the Australian Government on 8 May 2012. The framework is a four-year plan for how, why and where Australian aid will be spent to 2015–16 and the results that will be achieved with that investment. It will guide growth in the aid budget to 0.45 per cent of gross national income, or an estimated \$7.7 billion by 2015–16.

Expenditure in 2011 across sectors (including the internal sector of corporate and program enabling) is illustrated below.



Summary of results in 2011

The Indonesia program in 2011 is Australia's largest at \$350.9 million, although only equivalent to 0.43 per cent of Indonesia's budget. The Australian aid budget is therefore highly targeted, providing support to the government, private and not-for-profit sectors to help them more effectively deliver goods and services across 10 thematic areas (or sectors). Where we provide goods and services directly ourselves, it is with the aim of building partner institutional capacity to continue services beyond the life of our programs.

In **education**, we are working to Ministry of Education and Culture, and Ministry of Religious Education priorities to increase access to education and education quality. For the former we are now positioned to be the largest contributor to the government's new school building program, which means we will be building schools to influence the quality of school construction. In 2011, the program's major achievement was the delivery of financial management, planning and school quality improvement training to approximately 595 000 principals, school supervisors, and school committee members across Indonesia. The remaining 55 000 targeted trainees will access this program in 2012, resulting in national coverage.

On our important and expanding scholarships program, 350 Australian Development Scholarships were offered for long-term study in Australia. In addition, 17 Australian Leadership Award Scholarships were awarded to Indonesians demonstrating outstanding leadership potential and a commitment to contributing to development outcomes for their field of expertise. The Australian Development Scholarships program is highly valued by Indonesia as it supports priority capacity development needs within government while ensuring open, merit-based competition.

In the **health** sector we are supporting Indonesia's priority to meet the health MDGs by 2015, in line with our second objective under Pillar 2, investing in people. To do this we are working in maternal and neonatal health, priority diseases impacting the poor and vulnerable including HIV and AIDS and emerging infectious diseases, and primary health care financing and health workforce systems reforms to improve access for poor women and children. Highlights in these areas were an estimated 17 800 additional births attended by a skilled health worker (an essential strategy in reducing maternal and infant mortality rates) and over 2374 health care workers and 1600 health administrators trained, which helped manage an additional 1250 newborn complications in community health centres. While our primary health and HIV/AIDS activities are largely on track, the scale of the issues and our relatively modest investment (\$37.7 million in 2011) mean that much more needs to be done for Indonesia to meet its health MDGs.

Australia is continuing to deliver a diverse range of assistance in the **transport and connectivity** sector including policy assistance, project preparation assistance and grants to trial new ways of Indonesian Government delivery. We provide these activities directly through the management unit set up to oversee implementation of the Eastern Indonesia National Road Improvement Program (EINRIP), the Indonesian Infrastructure (IndII) facility, and through World Bank trust funds. Some immediate outputs achieved in 2011 included training 1368 public servants on transport and connectivity related activities and constructing 110 kilometres of roads in eastern Indonesia. Significantly, technical and financial audits on the roads saw a decline in the number and seriousness of adverse

findings, which is critical for future progress in the reform of Directorate General of Highways business processes.

Indonesia has almost reached the MDG target of halving the proportion of people without sustainable access to safe drinking **water**. On **sanitation**, Indonesia is making some progress but will not meet the MDG target. Nationally, 46 per cent of the population still uses unimproved means of sanitation, and in rural areas the rate is 61 per cent. Australia is working in partnership with the government to design and pilot a grant (called ‘Hibah’) approach. In 2011 alone the Water Hibah connected 51 000 households (approximately 255 680 people) to water in 32 districts, and approximately 14 425 people from low-income households in five cities were connected to piped wastewater systems through the Sanitation Hibah program. An investment of \$5.6 million under the Infrastructure Enhancement Grant will indirectly benefit 1.4 million people from improved wastewater and the establishment of solid waste facilities.

Poverty reduction continued to be very high on Indonesia’s agenda in 2011 with significant programs at the national and sub-national level directly targeting **poverty reduction and social protection**. Australia supported these national programs to meet our own objectives of better reaching the poor and improving delivery of services to the poor. We supported the National Team for Accelerating Poverty Reduction (TNP2K) and the World Bank to work with the National Statistics Office to improve the targeting of poor households by developing new proxy means testing models, with 40 per cent of the poorest Indonesians (25 million households) now included in a single database. This data, held at TNP2K, will inform all social assistance programs in 2012 enabling them to be more targeted and effective.

A major national Indonesia social protection program we support is PNPM Generasi, which has an estimated beneficiary population of 4 million people in 3234 villages across five provinces (compared to 2389 villages in 2010). Evaluation results continue to show significant improvements to all of Generasi’s 12 health and education indicators. Notable achievements from AusAID’s support to date include the vaccination of 49 962 children and 23 282 women attended by a skilled birth attendant.

In climate change, a major achievement for 2011 (and early 2012) was signing formal village agreements with seven villages in Kalimantan, which will form the legal basis for engagement with, and payments to, communities based on extensive community consultation. The program also trialled the delivery of farmer field schools to improve production quality and farmer returns in the project area, and made initial incentive payments to communities for the production and delivery of approximately 1.2 million seedlings.

We work in **disaster risk management** and in 2011 Australia assisted 46 364 women, men, boys and girls to recover from two natural disasters which occurred in late 2010: the Mt Merapi eruptions and the Mentawai Islands tsunami. This assistance, which was provided through trusted NGO partners, helped communities around Mt Merapi rebuild their livelihoods and recover from the mental trauma associated with the eruptions. It also helped communities in the Mentawai Islands to rebuild homes, improve their health, and develop emergency plans to prepare for any future disasters.

Australia provides **governance** support for economic governance, elections, decentralisation and bureaucratic reform. Indonesia’s economy is doing well, but increasingly Indonesia is finding it difficult to translate economic growth and growing

public resources into poverty reduction and human development. The Indonesia program's work in economic governance continues to focus on addressing systemic imbalances with programs on tax administration, public procurement and public financial management. Highlights include a new independent financial supervisory body established with Australian assistance to support the financial regulatory environment, a new risk based supervision system in insurance and pension funds, and 443 100 businesses and individuals being brought into the tax system in less than six months as a result of Australian support with the 2011 tax census.

In 2011, Australian support to Indonesia's elections remained highly relevant given Indonesia's own emphasis on consolidating democracy and challenges in the delivery of fair elections. For example in 2011, according to the Indonesian Electoral Commission, 87 local elections took place and 99 election result disputes were registered in the Constitutional Court (including seven disputes from elections held in 2010). The disputes highlight a significant lack of public confidence in the election process. Australia supported training for 624 election officials, mostly to strengthen the understanding of senior elections officials from 19 provinces on the principles of elections management.

In the **law and justice** sector, together with our support to the World Bank Justice for the Poor program, Australia has positioned itself to support both top down corruption eradication and institutional reform, as well as listen to the needs of stakeholders and assist people to access justice. Key achievements in 2011 were the improvement in supreme court case management practices, finalising service charters for the courts which set out justice seekers' rights, supporting women's civil society organisations to work with poor women to access justice, and supporting the establishment of an Indonesian paralegal network that has brought over 50 paralegal organisations together to strengthen their lobbying impact on national level policy-making.

In **rural livelihoods and agribusiness**, Australian program activities in 2011 provided access to agricultural technologies for 46 639 poor women and men. In one example, the value of cattle production increased by \$25 250 from a total transaction of \$420 000 in program areas, and in all 12 298 people increased their incomes.

The full list of program objectives and their ratings can be found in Annex 1.

Performance by sector

Ratings of the Indonesia program's progress towards objectives in each sector are provided here. While strategic direction and program objectives complement that of the Government of Indonesia, performance ratings are an assessment of the Indonesia program's performance, not the government's. Performance is assessed using the reporting from implementing partners as well as evaluation and supervision reports from internal and external parties, for example AusAID's Quality at Implementation reports.

Education

Sector objectives	Rating in 2011	Relative to previous rating
Indonesia's projected infrastructure requirements met for junior secondary schools for districts with low gross enrolment rate nationwide	■	Declined
A national system delivering strengthened sub-national capacity for education system management	■	Declined
Improved madrasah quality in reference to the eight national education standards and capacity for systemic support to madrasah quality in targeted provinces (revised objective)	■	n/a
Access to quality research and analysis informing policy decisions and policy implementation	■	Unchanged
Scholarships		
Alumni applying knowledge and skills in their workplaces	■	n/a
Alumni effectively integrated into key agencies to strengthen agency service provision	■	n/a
Alumni initiating or supporting people-to-people links between Indonesians, and between Indonesians and Australians	■	n/a
Alumni returning with and maintaining a positive perception of Australia	■	n/a

Note:

■ On track. A high proportion of the objective indicators has been achieved or is judged as likely to be achieved (based on current trajectory) by the end of the strategy period

■ Partially off track. At least half of the indicators have been achieved or are likely to be achieved by the end of the strategy period

■ Significantly off track. A small proportion of indicators has been achieved or is likely to be achieved by the end of the strategy period

n/a There is inadequate data or no firm indicators available

Indonesia is progressing strongly towards achieving MDGs 2 and 3—universal primary education and gender equality in education. According to 2009 data, primary school enrolment was 95 per cent (up from 72 per cent in 1975) but only 67 per cent of children complete the full nine years of compulsory basic education. Australia's support to basic education in Indonesia is operating within the stable policy environment encapsulated in the sector's strategic plans (Renstra³) and the strong budgetary commitment (20 per cent of the national budget) by the Government of Indonesia. In this context, we are contributing to Indonesia's specific, stated targets and helping to accelerate the achievement of these in an efficient and effective way. Responsibility for education in Indonesia is shared by the Ministry of Education and Culture and Ministry of Religious Affairs, and Australia is working to support the priorities of both.

Australia's education partnership is contributing to jointly agreed results derived from the Ministry of Education and Culture and Ministry of Religious Affairs' Renstras. The agreed result areas include increasing access to education, particularly at the junior secondary level, and improving education quality through better school-based management and the accreditation of schools (madrasah) in the Islamic education sub-sector. The partnership also supports policy-relevant research and analysis to assist decision-makers. The partnership relies heavily on the use of Indonesia's government systems for delivery, with contractor teams providing support to technical, oversight and outreach functions. Full mobilisation of the new education partnership was achieved in

³ Rencana Strategis – the translation of the Government of Indonesia's mid-term development plan into an annual strategy plan that contains targets and indicators.

2011 and technical teams were in place before the end of the year to support all program components. However, overall progress against sector objectives was limited, as reflected in the ratings in the table above, due to ongoing design work required to ensure effective and efficient use of Australian funds being delivered through partner government systems, as well as the need for new program teams to conduct program planning alongside their Indonesian Government counterparts. Design adjustments occurred in relation to component 1 (school construction) and are ongoing for component 2 (national system to support school management capacity) to better manage risk and assure quality for grant funds delivered directly through the Indonesian Government.

In 2011, the program's major achievement was the delivery of financial management, planning and school quality improvement training to approximately 595 000 principals, school supervisors and school committee members across Indonesia. The remaining 55 000 targeted trainees will access this program in 2012, resulting in national coverage. Our support targets the individuals within Indonesia's school-based management system with direct responsibility for managing the largest public revenue stream available to schools, the School Operational Assistance (Bantuan Operasional Sekolah – BOS) grants. This training was a multi-donor effort in that materials were developed based on previous successful training supported by the World Bank, USAID, United Nations Children's Fund, European Union and Asian Development Bank. It provides a strong foundation and experience for the roll-out of the nationwide continuous professional development system for principals, school supervisors and education officials, which will gain momentum in 2012.

In 2011, Australia entered into an agreement with Indonesia to support the construction of up to 2000 junior secondary schools in the five years to 2016. As a significant contributor to the government's new school building program, Australia is well positioned to influence the quality and targeting of new school construction over the program period and beyond. Construction of Australian-funded schools will commence in 2012, as a result of negotiations on budget and quality safeguards extending into the construction cycle window for 2011. These negotiations focused in a large part on a per school unit costs for construction, set by the government but applicable to Australian-funded schools, to ensure that the necessary budgetary resources would be available to meet construction standards. The government agreed to increase unit costs for 2012 onwards, but this agreement could not be applied in 2011 due to Indonesian budget processes. Rather than risk poor quality construction arising from insufficient funds, we agreed to commence construction in 2012. Policy dialogue also occurred on issues relevant to education partnership components, such as the implications of school construction quality on access, recurrent costs including maintenance and rehabilitation, and safety.

The education partnership is Australia's contribution to the multi-donor Education Sector Support Program, which includes the European Union as the other major funding partner (the Asian Development Bank and World Bank provide technical support). In 2011, AusAID was supportive of a move by the European Union away from untargeted budget support (in line with its phase 1 contribution) to targeted support which will help achieve minimum service standards for education in lagging districts. In a relatively well-resourced context like Indonesia, this targeted approach is likely to create more space for substantive policy dialogue than a pure budget support model.

In 2011, Australia continued to provide tailored support to the provinces of Aceh, Papua and West Papua to accelerate education reforms and improve access and quality. In Aceh, the program worked with 13 district education offices to improve planning, budgeting, data management and reporting—all essential to more efficient and effective delivery of education services. We also supported the Aceh Provincial Government to produce and implement key planning instruments including the 2012–2017 Education Council Strategic Plan, the education chapter of the Aceh Long-Term Development Plan, and the Education Master Plan for Aceh. In Papua and West Papua, Australia’s partnership with the United Nations Children’s Fund trained 1158 teachers, school principals and school committee members from 307 schools in school-based management. At the provincial and district level, officials were trained and supported to develop strategic plans using public consultation to ensure transparency.

Support for linkages between Indonesian and Australia schools was continued in 2011 through the BRIDGE program. Eighteen new school partnerships were established, bringing the total number of partnerships under the program to 64.

Management consequences

Australia made progress in implementing the new education partnership despite some delays as a result of the commitment to work primarily through partner government systems. In 2012, the safeguards for school construction—which were agreed with Indonesia, particularly in the areas of monitoring, data collection and analysis, reporting, and auditing—will be implemented. AusAID and the Ministry of Education and Culture have already commenced planning for the 2012 construction program, a key management consequence of negotiations to date. To ensure momentum is not lost in testing and piloting key elements of the continuous professional development system while the necessary safeguards for using partner systems are negotiated, AusAID in 2012 will deliver support via the technical contractor team.

Following successful dialogue with the Government of Indonesia regarding the unit cost increase required to build schools to established standards, the education partnership budget and targets for school constructions need to be revised to take account of this change. Further analysis and policy dialogue on planning for and managing school infrastructure needs will be conducted in 2012 and throughout the life of the partnership. The Government of Indonesia will embark on a major school rehabilitation program in 2012, which provides a strong context for engaging at both national and district levels on school infrastructure recurrent cost budgeting.

In addition to the technical expertise procured in support of the education partnership, and in response to issues raised in the 2010 APPR, AusAID used direct advisory support to strengthen sector and program monitoring and evaluation, public financial management and strategic planning. Together with the European Union, Australia also provided support to the multi-donor trust fund for sector research and analysis, the ACDP. In 2011 the ACDP prepared 35 sector studies in consultation with relevant government stakeholders. Eight of these were mobilised in 2011, the remainder in 2012, and the first of these will report back in June 2012. The demand-driven design of the ACDP is intended to respond to government priorities but the mechanism is best suited to longer-term work. This creates risks for the timeliness of findings and the likelihood that they will inform policy decisions. AusAID will monitor this risk closely as a management issue in 2012.

Early analysis on future options for investment in the sector was conducted, with a focus on tertiary education. As this is a relatively new area for AusAID to be partnering with Indonesia, appropriate high level technical and advisory support from both Indonesian and international experts will be critical.

Scholarships

The Australian Development Scholarships program in Indonesia, which is delivered under the Australia Awards banner, is aligned to Indonesia's development needs. In 2011, 350 Australian Development Scholarships were offered for long-term study in Australia. In addition, 17 Australian Leadership Award Scholarships were awarded to Indonesians demonstrating outstanding leadership potential and a commitment to contributing to development outcomes in their field of expertise. Three rounds of Australian Leadership Award Fellowships, which support short-term study, research and professional attachment programs in Australia, were held in 2011, with 310 participants from Indonesia, the highest number of any single eligible country.⁴

There was continued growth in the number of successful applicants from targeted regions, with 29 per cent of awards going to applicants from Papua, Papua Barat, Aceh, Nusa Tenggara Timur and Nusa Tenggara Barat. The Australian Development Scholarships and Australian Leadership Award Scholarships continue to achieve strong gender balance with 49.6 per cent of awards in 2011 going to women.

In 2011, the second longitudinal tracer study of 123 alumni was conducted (the first study took place in 2009). The study included 59 Australian Development Scholarships alumni from the 1999 selection intake and 64 alumni from 2003 intake. Key findings and conclusions emerging from the study include:

- Australian Development Scholarships have contributed to individual and organisational capacity by providing opportunities to obtain higher qualifications (91 per cent of respondents said their skills were being used 'a lot' or 'fully used' by their organisation and 95 per cent said they had contributed to their organisation's performance)
- Australian Development Scholarships have created new linkages with Australia (60 per cent of public sector alumni said their organisations had linkages with Australia)
- Australian Development Scholarships are being awarded to appropriately skilled people to undertake relevant degrees, who return to Indonesia with their higher qualifications (program completion rate is 99.7 per cent).

The Australian Development Scholarships program is highly valued by Indonesia as it supports priority capacity development needs within government while ensuring open, merit-based competition. The strategic direction of the program is overseen by AusAID and Indonesia's state secretariat, with input from other relevant ministries such as the National Development Planning Agency and Ministry of Foreign Affairs. Other Australian Government agencies also support the program by identifying potential

⁴ AusAID's initiative independent progress report: *Australian Development Scholarships (ADS) in Indonesia Program – Phase II*, May 2011.

candidates and encouraging them to apply. In addition, the program works with 14 key agencies to support better human resource planning and to integrate scholarships with other development strategies. There are currently 523 Australian Development Scholarships alumni in these key agencies and a 2011 survey of these individuals found:

- 88 per cent of alumni stated their organisation had improved in the last 12 months
- 58 per cent of alumni stated they had personally contributed to improvements in government service in some way.

Management consequences

AusAID went to market at the end of 2011 to identify a new managing contractor responsible for in-Indonesia management of Australian Development Scholarships (including targeting, application, selection, mobilisation, and pre and post-award support). This necessitated immediate design work midway through Phase III of the current scholarships program. This was earlier than anticipated as the incumbent provider chose not to exercise an option to extend provision of services. AusAID decided to conduct a design refresh and continued Phase III implementation, pending more substantial design work to inform the next phase. The design refresh offered an opportunity to introduce a range of pilot activities into Phase III, which will help to inform future designs. These pilots include English language training assistance in targeted provinces, split-site awards and short course delivery. A smooth transition to a new managing contractor was achieved at the commencement of 2012 and the completion of a comprehensive and strategic design process, together with key Indonesian Government stakeholders, will be a program management priority for 2012.

Health

Sector objectives	Rating in 2011	Relative to previous rating
Improved utilisation of quality primary health care and appropriate referral in selected districts and provinces health care (revised objective)	■	n/a
Confident use of health facilities and services for delivery of babies, ante-natal and post-natal care in NTT	■	Improved
Increased HIV/AIDS prevention, treatment, and care and support in selected regions	■	Unchanged
Strengthened leadership of the national and sub-national response to HIV/AIDS	■	Declined
Strengthened emerging infectious diseases prevention, detection and control mechanisms in the Ministries of Health and Agriculture	■	Unchanged

■ On track. A high proportion of the objective indicators has been achieved or is judged as likely to be achieved (based on current trajectory) by the end of the strategy period

■ Partially off track. At least half of the indicators have been achieved or are likely to be achieved by the end of the strategy period

■ Significantly off track. A small proportion of indicators has been achieved or is likely to be achieved by the end of the strategy period

n/a There is inadequate data or no firm indicators available

Indonesia has a comprehensive health system dealing with a vast range of issues across many challenging service delivery contexts. Australia’s contribution continues to be strongly aligned to Indonesia’s priority to achieve health MDGs by 2015. Indonesia’s maternal mortality rate (MDG 5) is lagging badly for a lower middle-income country. Official figures estimate a rate of 228 maternal deaths per 100 000 live births, similar to

Burma (219) and much worse than other lower middle-income countries such as Vietnam (64) and the Philippines (84). Indonesia is also unlikely to meet its MDG target of halting and reversing the spread of HIV and providing universal access to HIV treatment for those who need it. New emerging infections are spreading, driven by changing human and animal population dynamics and environmental conditions. Financial and human resources are scarce and inefficiently allocated. Total health spending is low by regional standards accounting for about 2.48 per cent of GDP in 2009 compared to 43.3 per cent in Thailand and 3.86 per cent in the Philippines.

The country program sectoral goal is that health related MDGs are achieved through a strengthened health system and a more effective and sustainable response to HIV. To achieve this our portfolio consists of programs that work across the areas of:

- maternal and neonatal health
- priority diseases impacting the poor and vulnerable including HIV/AIDS and emerging infectious diseases
- primary health care financing and health workforce system reforms to improve access for poor women and children.

Australia adds value to Indonesia's own investments by testing new innovative approaches to tackle priority health issues before broader government implementation, and by assisting our key counterparts to build capacity to address constraints to achieving health goals. In 2011 Australia supported interventions targeted in geographic areas across 11 provinces based on health need, poverty and disease control priorities. For example, Australia continued to provide maternal and neonatal health assistance to Nusa Tenggara Timur where the rates of maternal mortality are high. Similarly, Australia worked in Papua and West Papua where the HIV epidemic has reached the general population and in other cities and prisons where there are high rates of HIV transmission among people who inject drugs, the highest prevalence population group.

In 2011, the Australia Indonesia Partnership for Maternal and Neonatal Health program directly supported attendance by a skilled health worker at an estimated 17 800 births in Nusa Tenggara Timur (NTT), an essential strategy in reducing maternal and infant mortality rates. Considerable investment was also directed towards training health care providers and health administrators, with over 2374 health care workers and 1600 health administrators trained, which helped manage an additional 1250 newborn complications in community health centres. These achievements reflect the benefits of a further full year of the program's implementation in 14 districts of NTT, as well as efforts made to improve monitoring and progress reporting.

Australia's assistance in maternal and neonatal health continues to support innovative practices and capacity building. In 2011, Australia's assistance to the sister hospital program helped address an immediate need for specialist health services in district facilities in NTT saving the lives of an estimated 18 mothers and 150 babies. Australia's investment has also supported the development of health policies to improve maternal and child health, with seven more districts and 39 villages passing regulations that support maternal and child health in 2011.

The Australia Indonesia Partnership for HIV (AIPHIV) continued to produce results on target in 2011 with more than 650 000 needles and almost 500 000 condoms distributed as well as 1000 people referred to methadone treatment. Australia's investment in

reducing cases of HIV also helped train more than 2300 people in HIV treatment who delivered HIV prevention information to people who inject drugs in a further four methadone clinics, five community health centres and continuing across 40 prisons. Our support for harm reduction amongst people who inject drugs has contributed to a 10 per cent reduction in HIV prevalence and a 40 per cent reduction in reported new AIDS cases amongst this group. Australian support for clinical training and mentoring supported better diagnose of HIV, with more than 2000 new cases identified in Papua—a priority province for the program. In 2011, Australia also provided funding and training to 37 civil society organisations working on HIV aid programs. These groups are now an integral part of Indonesia’s response to the virus.

Australia’s continued work in HIV has led to reforms such as the introduction of new mechanisms to separate first time drug offenders from the mainstream criminal justice system as a way to reduce the spread of HIV. Despite these achievements, better Australian support to foster leadership in the Ministry of Health to guide a more effective response to HIV is required, particularly in the light of reducing Global Fund grants.⁵

Implementation progress for the EID Animal Health program is behind target, but this is due the slow start up of the program in establishing a new government-to-government partnership in agriculture and the move away from an emergency response approach towards sustainable systems development in this sub-sector. Nevertheless, in 2011 the emerging and infectious diseases program which focuses on animal health oversaw training for over 700 health and animal health administrators in emerging infectious disease systems and processes. As a result of Australia’s support through the health ministry, six provinces now have early detection and surveillance systems in place.

These partnerships have support from the highest levels of our counterpart ministries and the National AIDS Commission through to provinces and districts. Australia’s support for innovation and capacity building is highly valued by Indonesia, as recently demonstrated through our invitation to be involved in future planning and policy discussions for a universal health insurance scheme to be implemented by 2014. Dialogue and negotiation to set up the new health strengthening systems for the poor program has fostered joint planning between national and sub-national governments in health in a range of areas of financing and workforce planning.

We continued to work closely with other donors in 2011. With USAID, the other major bilateral development partner in health in Indonesia, we funded a pilot study to increase access to long-term and permanent contraceptive methods and a further survey round on HIV prevalence and related risk behaviours in Papua and West Papua. We also maintained close relationships with United Nations agencies such as the United Nations Children’s Fund and World Health Organization, and the World Bank in the provision of technical advice, particularly in relation to universal health insurance coverage and maternal and child health. Management upheaval in the Global Fund for HIV, Tuberculosis and Malaria has been felt in Indonesia with grants decreasing by 25 per cent (\$28 million). The global fund is a substantial contributor to the health sector in Indonesia, and a decline in the budget puts even more emphasis on Australia’s contribution. Management consequences

⁵ AusAID’s Initiative Independent Progress Report: *Australia Indonesia Partnership for HIV (AIPH)* September 2011.

The new agency results framework will provide the platform for a revised set of health sub-sector outcomes against which the sector performance for 2012 will be judged.

The health sector plan will be finalised in consultation with the Government of Indonesia so that priorities for future scale up, areas for future analysis and a new results framework are agreed by end of 2012. This will help inform the new maternal, neonatal and child health design and provide a robust results framework that will measure progress in our health programs.

We will work with Indonesian counterparts and boost support to the Ministry of Health to help refocus and prioritise HIV interventions, as this is becoming urgent in light of reduction of global fund grants and slow progress in addressing the MDG target of halting the spread of HIV/AIDS. Agreements on programming will also be revisited with key partners to minimise fragmenting and simplify support to Indonesia’s response to HIV.

Programs will adopt a stronger continuous improvement approach, ensuring that more robust monitoring and evaluation frameworks are in place and lessons learnt are used effectively to review and, if necessary, adjust interventions to ensure program outcomes are achieved.

Transport and connectivity

Sector objectives	Rating in 2011	Relative to previous rating
Strategic regional sections of the national road network built or upgraded to a national standard	■	Unchanged
Improved Directorate General Highways business processes (design, procurement, supervision) for works on national roads	■	Unchanged
Enhanced capacity to plan, budget and manage transport systems (revised objective)	■	n/a
Greater coherence and integration of government policies across transport infrastructure	■	Unchanged

- On track. A high proportion of the objective indicators has been achieved or is judged as likely to be achieved (based on current trajectory) by the end of the strategy period
- Partially off track. At least half of the indicators have been achieved or are likely to be achieved by the end of the strategy period
- Significantly off track. A small proportion of indicators has been achieved or is likely to be achieved by the end of the strategy period
- n/a There is inadequate data or no firm indicators available

The government’s connectivity vision set out in the National Economic Master Plan (MP3EI) resonated strongly with policy makers and captured the attention of commentators for much of 2011. However, the excitement seemed to concentrate on big ticket announcements of investments in bridges, ports and other standalone facilities. Unfortunately, attention appeared to be diverted away from the more critical needs for regulatory and administrative reform and more coherent long-term planning and budgeting across transport modes. Without these, the master plan will struggle to attract even the announced public sector investment, let alone the envisaged call on private investment, which could exceed US\$250 billion.

Accordingly, AusAID chose to maintain its current suite of activities that were directly or indirectly bringing about these policy and governance improvements. Australia is continuing to deliver a diverse range of assistance in the transport and connectivity sector including policy assistance, project preparation assistance and grants and loans that help trial new ways of Indonesian Government delivery. We provide these activities through

the Eastern Indonesia National Road Improvement Program (EINRIP), the Indonesian Infrastructure (IndII) facility, and World Bank trust funds. The success of work in the transport sector has largely been a function of long-term relationships with key government counterparts in the ministries of Public Works and Transport. Maintaining a continuous presence over several years within ministries has positioned AusAID well to receive requests from government and knowledge of who to work with to have the most impact.

In 2011, the move to greater coherence across the transport sector by the government was slow. IndII contributed to development of a 20 year national ports master plan setting out priorities for public and private investment. Implementation of the plan was held up pending integration of its main elements into MP3EI. Some progress started towards the separation of port regulator and operating functions, which IndII supported with the preparation of guidance and training on port operations and human resource management. The impact of IndII's work on the rail sector and national road safety master plans was less evident than for ports.

IndII's work on budget and planning within the Directorate General of Highways showed some initial impact: the directorate's programs in road preservation, road development and administration were consolidated into a single program, and its annual physical work plan was prepared for the first time using a four year horizon. The change in horizon was a significant step towards the preparation of detailed budget requests based on a rigorous medium-term expenditure framework.

Progress in the delivery of AusAID's Eastern Indonesia National Road Improvement Program (EINRIP) accelerated through 2011, with some projects reaching or nearing handover, and the program as a whole breaking through the halfway point of invoiced works. EINRIP funded \$68 million of works in 2011 representing 27.9 per cent of the A\$244.58 million of contracted works. This is equivalent to 110 kilometres of road completed in 2011 out of a total program length of 395 kilometres.

AusAID negotiated greater flexibility on the closure date of the EINRIP loan, which has allowed ongoing monitoring of the quality of the road projects. Had AusAID adhered to the original loan closing date of June 2012, the quality of most road projects would have suffered and a number would have been left unfinished. During 2011, senior AusAID and Australian Government representatives were frequently deployed to discuss contractor performance and other issues affecting EINRIP progress and quality, also contributing to improved outcomes.

Just as important as the acceleration in the physical progress was the discernible improvement in construction quality on most EINRIP road projects. The results of the technical and financial audit program registered improvements over the year, with a decline in the average number and seriousness of adverse findings. This is critical for future progress in the reform of Directorate General of Highways business processes, whereby EINRIP demonstrates contributions to improved systems quality and durability to justify the higher costs of design and supervision.

Overall, the above activities included a total of 1368 public servants (1032 men and 336 women) trained on transport and connectivity related activities in 2011. This included training sessions on a diverse set of topics including procurement, project management and financial management, as well as campaigns related to HIV/AIDS transmission targeted at road workers.

Management consequences

Indonesia's Road Preservation Fund, set up to preserve the national and sub-national road network, has been legislated but has remained unfunded in 2011. The AusAID supported Provincial Road Improvement Program (currently at concept stage) proposes to work through government systems at the provincial level using AusAID grants to pilot innovations, including performance based financing, for possible future incorporation into the fund. The full list of issues from 2010 APPR is found in Annex 3.

AusAID will amend some of the transport and connectivity sub-sector outcomes for the 2012 APPR to align with the newly established IndII monitoring and evaluation framework.

Despite improved implementation progress under EINRIP, a number of road projects remain delayed due to issues with land acquisition. A further extension to the loan closing date will have to be negotiated with the Directorate General of Highways over the coming year, likely through to the end of 2013.

EINRIP currently forms a significant component of the infrastructure program. Any successor program will need to obtain the appropriate Australian Government approvals and proceed to design during 2012 if continuity is to be maintained.

Water and sanitation

Sector objectives	Rating in 2011	Relative to previous rating
Improved management performance of urban water service delivery agencies	■	Improved
Improved management performance of urban sanitation service delivery agencies	■	Unchanged
Improved operational systems and procedures for district government rural water services	■	Improved
Improved operational systems and procedures for district government rural sanitation services	■	Unchanged
Government of Indonesia policies adopted and applied by local government and community water and sanitation providers	■	Unchanged
Improved delivery of urban water	■	Unchanged
Improved delivery of urban sanitation	■	Unchanged

■ On track. A high proportion of the objective indicators has been achieved or is judged as likely to be achieved (based on current trajectory) by the end of the strategy period

■ Partially off track. At least half of the indicators have been achieved or are likely to be achieved by the end of the strategy period

■ Significantly off track. A small proportion of indicators has been achieved or is likely to be achieved by the end of the strategy period

n/a There is inadequate data or no firm indicators available

Indonesia has almost reached the MDG target of halving the proportion of people without sustainable access to safe drinking water (target is 85 per cent and Indonesia has reached 82 per cent). While this is a welcome development, further progress will hinge largely on improved water sector governance and financing reforms. Improving the management performance of state water and sanitation utilities continues to be challenging, particularly in sanitation where there is generally less capacity. Indonesia's attempts to scale up its program of subsidising and guaranteeing bank loans to local water utilities (PDAMs) have had limited traction to date, although more encouragingly, an increasing number of PDAMs are now operating on a full cost recovery basis.

On sanitation, Indonesia is making some progress but will not meet the MDG target of 66 per cent of people with sustainable access to basic sanitation. Nationally, 46 per cent of the population still uses unimproved⁶ means of sanitation, and in rural areas the rate is 61 per cent. In general, public demand for wastewater services is low and the public does not hold governments accountable for their service delivery. Moreover there is confusion about the current or potential roles of different levels of government in the sector. Consequently there has been a low level of provision of public sanitation services. Community hygiene practices remain a big obstacle to Indonesia's targeted achievement of an open-defecation free status by 2014.

Australia's program in the sector is driven by the Government of Indonesia's priorities. The program aims to increase access to water supply and sanitation services, improve sector governance and financing, and improve sustainability of services across urban and rural locations. In 2011, several water and sanitation programming phases were completed, of which the Water and Sanitation Hibah⁷ programs were the most successful.

Australia worked in partnership with Indonesia to design and pilot the Hibah approach, which encourages and rewards local governments to increase household piped water and piped sewerage services. The outcome was the provision of cheaper and safer water for households and the methodology has significant public financial management benefits, including:

- the qualifying process requires participating local governments to demonstrate better management of their resources
- design drives reforms to service pricing
- development of service expansion plans is encouraged.

In 2011 alone the Water Hibah connected 51 000 households (approximately 255 680 people) to water in 32 districts. Approximately 14 425 people from low-income households in five cities were connected to piped wastewater systems through the Hibah program. The Hibah program is demonstrating that a results linked financing approach can be effective at sustainably connecting large numbers of households to piped water and sanitation services at a reasonable cost. Incentives are also provided for local governments to increase their own investment in household connections and supporting distribution, transmission and treatment infrastructure, and strengthening governance of their water and wastewater operators.

The model will later be expanded to include funding from the national budget and other donors, and for potential application in other sectors. Australia's participation and leading role in this program has allowed our resources to be leveraged through Indonesia's systems and to reach large numbers of people with reduced transaction costs. The high quality of the innovative, corruption resistant and financially efficient potential of this program has been confirmed by assessments by Indonesia, Australia and several external organisations.⁸

⁶ The MDG monitoring uses 'improved' and 'unimproved' sanitation as an indicator to measure basic sanitation. 'Unimproved' includes open pits or latrines without a proper slab to cover the pit, hanging latrines, which deposit untreated excreta directly into bodies of water or in the open, bucket latrines, shared or public facilities, or no facilities at all.

⁷ 'Hibah' translates to 'grant' in English.

⁸ AusAID's Initiative Independent Completion Report: *Independent evaluation of the water and sanitation Hibah program, Indonesia* June 2011.

Through a co-financing arrangement with the World Bank, Australia contributed to the PAMSIMAS program. The total value of the program from all sources is US\$275 million of which AusAID contributes \$54.5 million. The total program supports increased access of 4000 communities in 110 districts and 15 provinces to safer water supply, improved sanitation facilities and enhanced hygiene practice. AusAID's contribution has directly benefited 238 149 people with increased access to safe water.

Most cities in Indonesia rely on septic systems in areas where there is high population density and shallow dug wells. The government's priority is for an additional five cities to have sewerage sanitation systems within the next five years. The wastewater investment master plans support this priority, demonstrate an increased commitment to sanitation and provide the basis for other donor contributions to the sector. Australian support for wastewater master plans for eight cities (Batam, Bandar Lampung, Surabaya, Bogor, Palembang, Pekanbaru and Makassar) was completed in 2011. Technical support through IndII to approximately 21 community-based water providers has helped these organisations access financing from local banks of approximately \$240 000 to expand services. Australia's Infrastructure Enhancement Grant provided incentives to 22 local governments to increase investment in public sanitation infrastructure during 2011. Ultimately, as a result of the investment of approximately \$5.6 million made under this activity, 1.4 million people will benefit from improved wastewater establishments and solid waste facilities.

Australia worked closely with the Asian Development Bank in the sector in Indonesia, and there is clear synergy between the two programs. Australia provided technical design support to assist numerous Indonesian cities to prepare necessary assessments and plans, and also to demonstrate capacity and commitment to participate in an upcoming Asian Development Bank sanitation and wastewater loan. The relationship with the bank is at an early stage but there is strong Indonesian Government and local government interest in the Australia-funded programs and the bank is managing these satisfactorily. Also, USAID has contributed to the Water Hibah under a delegated cooperation arrangement agreed in June 2011. Since this, AusAID's IndII and the USAID IUWASH program have commenced close consultation and coordination.

Management consequences

Most of the management consequences identified in 2010 have been acted upon.

To promote sustainability, the second phase of Hibah will have an increased focus on governance as well as service delivery. This will be through more flexibility in providing additional funding to local governments with greater capacity and commitment to pre-finance service expansion and sustainable investment policies, and promoting full-cost recovery pricing to achieve financial sustainability of water operators. Results will depend on the commitment of individual operators and will vary from one site to another.

While the wastewater investment master plans have been finished for eight cities, work is still needed to prepare designs and compliance with environmental safeguards before the cities are ready for investment by the Asia Development Bank loan scheme, government

or the private sector. Continuing support for project preparation will help ensure the plans are implemented to improve the sanitation services in these cities.

Australia’s water, sanitation and hygiene program currently addresses issues in urban, peri-urban and rural areas. Australia will explore whether to also support improvements to governance, management and service provision in the regional centres and small cities covered by the Government of Indonesia’s water supply for sub-districts (IKK) program. Consideration will be given to amending some of the water and sanitation sub-sector outcomes for the APPR 2012 to align with the newly established IndII monitoring and evaluation framework.

Programs like PAMSIMAS and the World Bank’s policy reform program, WASPOLA, are ending soon. Australia will review these programs to learn from the experience and determine future programming for rural service improvement and policy reform.

Social protection and community driven development

Sector objectives	Rating in 2011	Relative to previous rating
Strengthened Government of Indonesia poverty reduction instruments (new)	■	Unchanged
Strengthened ability to reach the poor (new)	■	Unchanged

■ On track. A high proportion of the objective indicators has been achieved or is judged as likely to be achieved (based on current trajectory) by the end of the strategy period

■ Partially off track. At least half of the indicators have been achieved or are likely to be achieved by the end of the strategy period

■ Significantly off track. A small proportion of indicators has been achieved or is likely to be achieved by the end of the strategy period

n/a There is inadequate data or no firm indicators available

Poverty reduction continued to be very high on Indonesia’s agenda in 2011 with significant programs at the national and sub-national level directly targeting poverty reduction and social protection. Australia can most effectively meet its objectives of 1) better reaching the poor, and 2) improving delivery of services to the poor by complementing the reach and effectiveness of Indonesia’s own programs: the National Team for Accelerating Poverty Reduction (TNP2K) and the National Community Empowerment Program or Program Nasional Pemberdayaan Masyarakat (PNPM).

TNP2K is an inter-ministerial team created through a 2010 presidential regulation led by the vice president. It is on track to meet its goals of improving the government’s poverty programs, substantially improving targeting and the conditional cash transfer program. Australia funds the Poverty Reduction Support Facility under TNP2K, which in 2011 conducted analyses into current and potential social assistance programs. Sharing knowledge gained from a range of analyses and pilots provides decision-makers with more evidence to support stronger policies and improve social assistance programs. Successful pilots can then be rolled out across the country.

In 2011, AusAID supported TNP2K and the World Bank to work with the National Statistics Office to improve the targeting of poor households. New proxy means testing models were developed and 40 per cent of the poorest Indonesians (25 million households) are included in the database. The data is now held at TNP2K and all social assistance programs will use it in 2012—an important contribution to the effectiveness of future programs.

PNPM is a national program improving the lives of the poor in around 76 000 villages across Indonesia. Under PNPM, communities can submit proposals for an ‘open menu’ of small-scale activities. These include building and repairing village infrastructure such as roads, bridges and water supplies, establishing revolving funds and microcredit groups (only for women groups), and supporting health and education activities. PNPM Generasi is a sub program that targets improvements to a set of health and education indicators. The program was developed in 2007 to address Indonesia’s lagging health and education MDGs. It specifically targets pregnant women and babies, infants and school aged children. By the end of 2011, Australia’s support to Generasi helped scale the program up to cover 3234 villages across five provinces (compared to 2389 villages in 2010). The estimated beneficiary population for the program is now 4 million people. Notable achievements of AusAID’s support to date include the vaccination of 49 962 children and 23 282 births attended by skilled birth attendants.

AusAID is supporting a PNPM initiative to help sustain access to finance for women borrowing groups. The pilot program increased from two provinces in 2010 (Central Java and Yogya) to four in 2011 (East Nusa Tenggara and West Sumatra), and conducted a needs assessment of 508 revolving loan fund management units servicing approximately 5000 groups (about 50 000 individuals).

PNPM continues to show impacts on poverty. Findings from an evaluation found that the program had a positive impact across the 12 indicators it was designed to address with a long-term impact on malnutrition rates. Preliminary research and analysis into PNPM’s revolving loan fund is also providing Indonesia with appropriate information and evidence to help guide a future strategy for access to finance for the poor. In 2011, AusAID contributed to significant management and systems improvements through the provision of 23 technical advisors across four Indonesian ministries as well as the PNPM support facility. This support has resulted in significant reforms to PNPM’s training curriculum and facilitator performance evaluation, the program’s information management system, and the government procurement procedures.

PNPM has made steady progress towards a satisfactory gender strategy, with the potential to achieve more on gender. The PNPM Support Facility has already commissioned a gender review, with recommendations to be included in the 2013 program. While PNPM has not systematically helped people with disability, anecdotal reports from program participants suggest that PNPM Generasi has included activities to help people with disability.

On policy dialogue, Australia remains strongly engaged on all key issues including exit strategies, grievance mechanisms, targeting of program recipients, new programs and reforms to existing programs. The vice president relies on the expertise AusAID established within TNP2K and is demanding evidence before making policy decisions. AusAID also maintains a close and strategic working relationship with all policy makers and implementation agencies at the program level. In 2011, AusAID provided significant input to Indonesia’s road map for the future of PNPM and strategy for community development post 2014.

Donor coordination around social protection is strong with the three key donors in the social protection space, AusAID, GIZ (Germany) and the World Bank, meeting regularly. Support to Indonesia’s large poverty programs continue to see positive results with PNPM playing a key role. Recent evaluation results show significant impacts on poverty levels and on targeted health and education indicators.

Management consequences

Our work in increasing demand for public services is also achieving good results, however there are risks from the supply side, in terms of ensuring access to facilities, skilled health workers and appropriate budgeting and planning, especially in local governments. AusAID will continue to highlight this concern in appropriate forums.

The design and contracting arrangements for increasing social assistance and PNPM need to be finalised in 2012 and new internal management arrangements of programs need a smooth transition. Management attention also needs to be given to appropriate team resourcing.

Climate change

Sector objectives	Rating in 2011	Relative to previous rating
REDD demonstrated to be practical, effective and equitable		Unchanged
Future global outcome on climate change influenced by Indonesian experience with REDD		Unchanged
Locally generated new knowledge of climate change adaptation being used in strategy development at all levels of government		Unchanged

 On track. A high proportion of the objective indicators has been achieved or is judged as likely to be achieved (based on current trajectory) by the end of the strategy period

 Partially off track. At least half of the indicators have been achieved or are likely to be achieved by the end of the strategy period

 Significantly off track. A small proportion of indicators has been achieved or is likely to be achieved by the end of the strategy period

n/a There is inadequate data or no firm indicators available

Indonesia’s response to climate change is shaped by both domestic priorities—as an emerging middle-income economy striving to lift millions of people out of poverty—and its role as an active participant in the global international climate change negotiations. It is both highly vulnerable to climate change impacts, and a significant contributor to global greenhouse gas emissions.

For Indonesia, responding to climate change means trying to align diverse sectoral policy and commercial interests, attempting to shift away from a high carbon growth trajectory and changing traditional approaches in the bureaucracy to embrace major reform. There has been progress, but the issues are challenging and the path ahead is not yet clear. The government has shown leadership in multilateral climate change dialogues, projecting a strong position on emissions reduction and engaging as an influential actor. Domestically, President Yudhoyono has articulated a vision for low carbon growth targets aiming to reduce emissions while maintaining economic growth. This is defined by the 7/26 target, meaning achieving 7 per cent annual economic growth and a 26 per cent reduction in emissions relative to business-as-usual (41 per cent with international assistance) by 2020. The launch of Indonesia’s National Action Plan for Greenhouse Gas Emissions Reduction (RAN-GRK) in September 2011 reinforced that Indonesia’s emissions reductions objectives, which are expected to be met primarily through reduced emissions from deforestation and degradation (REDD+).

Despite delays in reaching agreement on an international legal framework for emission reductions, momentum on REDD+ in Indonesia continued in 2011. As part of the Indonesia–Norway agreement on REDD+, President Yudhoyono issued a two-year moratorium on new permits to clear primary forests and peat lands and renewed the

mandate of the working group responsible for developing Indonesia's policy and institutional structures for REDD+ that sit within the President's Special Delivery Unit, UKP4.

The main focus of Australia's cooperation with Indonesia on climate change is REDD+ through the Indonesia–Australia Forest Carbon Partnership (IAFCP). The partnership continues to fit closely with national priorities for both countries, and an April 2011 independent progress report found that the broad goal of the IAFCP remains relevant. Looking forward, a key requirement is systematic collection of evidence to support policy dialogue and institutional arrangements required to sustainably operate REDD+ in practice.

Progress under the main component of the IAFCP, the REDD+ demonstration activity in Kalimantan (the Kalimantan Forests and Climate Partnership, or KFCP) picked up speed in 2011, but it is now clear that initial timeframes for the program were ambitious in light of the level of partnership and consultation required. The partnership activity is generating useful practical experience of implementing REDD+ in Central Kalimantan, now the REDD+ 'Pilot Province' under the Indonesia-Norway REDD+ partnership. In 2011 and early 2012 the program's major achievement was signing formal 'village agreements' with all seven villages in the KFCP area, which will form the legal basis for engagement with and payments to communities following extended participatory consultation with villages. The program also established 35 community-based nurseries in 14 settlements to produce approximately 1.2 million seedlings, and trialled the delivery of farmer field schools to improve production quality and farmer returns in the project area. A number of KFCP's components are behind schedule relative to the original design, and it is unlikely that all objectives can be realised before the planned timeframe for the program of mid-2013. Management changes were initiated to address operational constraints.

The second main pillar of work, support for Indonesia's National Carbon Accounting System (INCAS), is helping to build capacity in measuring, reporting and verifying greenhouse gas emissions by supporting Indonesia to develop a robust system to monitor emissions from land use change. A functional and credible national carbon accounting system is essential to transparently monitor land-based emissions and enable Indonesia to participate in a future international carbon market. In 2011, INCAS supported the National Space Agency (LAPAN) to produce land-cover change maps over Kalimantan for the period 2000 to 2009 and is now supporting the national rollout of this approach to baseline and land use change mapping.

In 2011, the central government had a growing focus on low carbon development in the lead up to, and following, the launch of the RAN GRK. In line with recommendations in the 2009 Green Paper on Economic and Fiscal Policy Strategies for Climate Change Mitigation in Indonesia (supported by Australia), a dedicated climate change unit was established within the Ministry of Finance Fiscal Policy Office to lead development of climate change fiscal and economic policy. Australia continued to provide a modest level of policy support and advice in this area, including through the preparation of two follow-up reports to the green paper. The first report provided further analysis on options for establishing a regional incentive mechanism to deliver climate change financing in Indonesia, while the second focused on geothermal policy and the electricity supply sector. In November 2011, dialogue on longer-term cooperation on low carbon growth was initiated with key Indonesian ministries, including finance and BAPPENAS. The

relationships established through these activities provide a foundation for ongoing bilateral engagement to develop innovative policy and institutional responses to low carbon development for Indonesia and Australia, as well as their regional partners including ASEAN.

Adaptation has achieved significantly less attention from both the national government and donors in Indonesia, and work is building from a relatively low base. Indonesia's Sectoral Roadmap for Climate Change 2010 provides a broad strategic and geographic focus for adaptation, requiring line ministries to assess climate change risks and integrate climate change analysis in development planning across vulnerable sectors, including water, marine and fisheries, agriculture and health. However, the policy, institutional and enabling settings for adaptation are only now starting to be defined—for example the Indonesia Adaptation Strategy was finalised in 2011. This strategy identifies priority sectors for adaptation investments and aims to coordinate the activity of line ministries. Expenditure patterns generally indicate a very low level of investment in climate change adaptation in the provinces. The opportunity for Australia is to integrate adaptation elements into existing programs that support priority sectors identified in the Indonesian Adaptation Strategy, including food security, social protection, water supply and sanitation and infrastructure. Lessons learnt from these activities would contribute to the development and implementation of Indonesia's National Action Plan on Climate Change Adaptation, which is currently being finalised.

Management consequences

Progress on REDD+ under the IAFCP is slower than anticipated and a number of program objectives are unlikely to be met within the original program timeframe (June 2013). KFCP continues to face challenges in its internal operational management as well as at the national and sub-national levels, and while the foundations for an acceleration of work on INCAS are in place, a divergence of views between the Ministry of Forestry and the Australian Government are emerging on the purpose of the INCAS program, and the eventual form and location of the INCAS system.

The future of both elements of the program will need to be resolved through consultations on the program extension in the coming 12 months. There appears to be a shared agreement at the national and sub-national levels on the desire and need for a continuation of KFCP in some form to demonstrate proof of concept for REDD+ and provide a tangible example to guide actions related to the Norwegian investment in REDD+. However, Australia will require a strong commitment from Indonesian partners to ensure program objectives are achieved, and Indonesia will likely require an indication from Australia that it is committed to a long-term and genuine partnership. Discussions on partner contributions and the future of INCAS may prove difficult.

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

Disaster risk management

Sector objectives	Rating in 2011	Relative to previous rating
The National Coordinating Agency for Disaster Management is a mature organisation fulfilling its responsibilities as guardian of the disaster management law	■	Improved
Sub national disaster management structures are established and fully operational to perform their mandated roles	■	Improved
Non government institutions as partners of the Government of Indonesia in community based disaster management have strengthened community resilience	■	Improved
Australia delivers appropriate and effective disaster response and recovery for Indonesia (new)	■	n/a

■ On track. A high proportion of the objective indicators has been achieved or is judged as likely to be achieved (based on current trajectory) by the end of the strategy period

■ Partially off track. At least half of the indicators have been achieved or are likely to be achieved by the end of the strategy period

■ Significantly off track. A small proportion of indicators has been achieved or is likely to be achieved by the end of the strategy period

n/a There is inadequate data or no firm indicators available

AusAID has two programs contributing to Indonesia's humanitarian and disaster preparedness and response. The Australia-Indonesia Facility for Disaster Reduction (AIFDR) and the Disaster Response Unit work together in a coordinated and strategic manner to ensure effective and efficient use of resources, stakeholder relations and knowledge sharing.

The AIFDR is a five-year (2008–2013) partnership between Australia and Indonesia which aims to strengthen national and local capacity in disaster management in Indonesia, and build a more disaster resilient region. It does this by working in partnership with Indonesia's national disaster management agency (BNPB), and with national science agencies, sub-national disaster management agencies and community sector organisations.

BNPB is responsible for formulating and implementing disaster management policy, and leads and coordinates during large-scale emergencies. Since it was established in 2008, BNPB has made good progress implementing internal business processes and national coordination with sub-national emergency management agencies. However, the broader state of disaster management in Indonesia is still nascent. No national systems are established to address training and capacity development issues, and community planning and preparedness is ad-hoc and inadequate when compared to the task at hand. Headway has been made on earthquake and tsunami warning systems, but many further investments in understanding hazard and risk are still required.

As found in the AIFDR independent progress review in September 2011,⁹ the relevance of AIFDR is strong—it is aligned to the policies and priorities of both governments. Disaster risk reduction is sound development practice and in a country as disaster prone as Indonesia, it makes humanitarian and economic sense to invest in disaster risk reduction. As found in the review, the program has made good use of Australian technical assistance to initiate and develop new relationships with Indonesia. The scientific

⁹ AusAID's Initiative Independent Progress Report: *Australia Indonesia Facility for Disaster Reduction September 2011*.

activities undertaken by Australia and Indonesia in the area of risk assessments and risk modelling are of a high quality and an effective way of establishing new relationships.

AIFDR's approach to activity evaluations and scoping missions are successful mechanisms for building new relationships and assessing effectiveness and capacity. Small grant based scoping missions to civil society organisations have proven effective and sustainable in determining capacity and appropriately shaping disaster risk reduction activities.

The quality of outputs and relationships developed by AIFDR have been highly effective. Partnerships with the Government of Indonesia, multilateral agencies, Indonesian civil-society organisations including faith-based organisations, universities and non-government organisations are performing well and are of benefit to BNPB. While some partners, including non-government and faith-based organisations integrate gender into their activities, AIFDR needs to ensure that gender and broader issues of social vulnerability are a greater focus for future activities.

The Disaster Response Unit coordinates Australia's humanitarian assistance to Indonesia during and following a disaster. Consistent with AusAID's Humanitarian Action Plan, the unit aims to ensure Australia delivers appropriate and effective disaster response and recovery in Indonesia.

Fortunately, Indonesia did not experience any major disasters which required assistance from Australia in 2011. This allowed the Disaster Response Unit to focus on preparedness during the year. The unit completed a new disaster response manual to improve the procedures for Australian Government's response for future disasters, provided training to approximately 60 Australian Embassy staff including senior management, and placed an international advisor with BNPB's emergency response division. This advisor has begun work to improve BNPB's response processes as well as to strengthen the relationship between Australia and Indonesia.

In 2011 Australia also assisted 46 364 women, men, boys and girls to recover from two natural disasters which occurred in late 2010: the Mt Merapi eruptions and the Mentawai Islands tsunami. This assistance, which was provided through trusted non-government organisation partners, helped communities around Mt Merapi to rebuild their livelihoods and recover from the mental trauma associated with the eruptions. It also assisted communities in the Mentawai Islands to rebuild homes, improve their health, and develop emergency plans to prepare for any future disasters.

Management consequences

Most management consequences to be addressed in 2010 have been met.

The Australian and Indonesian governments agreed in January 2012 to establish an executive committee for AIFDR to set strategic direction for current implementation of AIFDR and guide the design of a future disaster management program. It is expected that the first meeting will take place in June 2012.

A greater focus at the sub-national level by AIFDR would enhance sustainability of disaster risk reduction activities. AIFDR has numerous smaller scale activities that successfully supported early engagement with partners, but also had a tendency to create a fragmented portfolio. This has been a useful approach to date but moving ahead, a more targeted focus in selected high-risk provinces would create greater sustainability. AIFDR

will draft a sub-national development strategy to present to the executive committee in August 2012. This will focus AIFDR at the sub-national level on capacity development, gender and social inclusion, and consolidation of existing portfolio activities, and will guide future activities.

AIFDR commenced a capacity development support program within BNPB in late 2011, involving the recruitment of 18 specialist Indonesian advisors to work within BNPB to build technical and institutional capacity. Through the executive committee, AIFDR will further propose an institutional strengthening framework.

Following discussion with BNPB in late 2011, AusAID commenced a draft concept note for an Australian and Indonesian partnership for disaster management one AIFDR is completed in June 2013. This concept note will be presented to the executive committee in mid-2012 for consideration.

Governance

Sector objectives	Rating in 2011	Relative to previous rating
BUREAUCRATIC REFORM		
Increased capacity of the Ministry of the State Apparatus and Bureaucratic Reform to implement bureaucratic reform in national-level Indonesian ministries and institutions (new objective)	■	n/a
DECENRALISATION		
Improved local planning and budgeting process resulting in improved budget structure towards better public service provision and more efficient budget execution (new objective)	■	n/a
Strengthened capacity of government and civil society organisations at national and sub-national levels to formulate, apply and monitor the implementation of the evidence-based decentralisation policies (new objective)	■	n/a
Strengthened capacity of citizens and civil society organisations to engage in and demand better service delivery (new objective)	■	n/a
Improved responsiveness and quality of basic service delivery (health and education) at district, sub-district, and service unit levels (new objective)	■	n/a
Improved local planning and budgeting process resulting in improved budget structure towards better public service provision and more efficient budget execution (new objective)	■	n/a
ECONOMIC GOVERNANCE		
Improved capacity of core economic institutions for policy development, coordination and implementation	■	Unchanged
Improved capacity for development and supervision of financial institutions and capital markets	■	Improved
Improved capacity to develop and implement trade and investment policy	■	Declined
More efficient management of public finances	■	Unchanged
Improved tax administration	■	Unchanged
ELECTIONS		
Improved performance of electoral management bodies in managing and delivering quality elections (local and national)	■	Unchanged
Increased public engagement in Indonesia's elections and systems	■	Unchanged

-  On track. A high proportion of the objective indicators has been achieved or is judged as likely to be achieved (based on current trajectory) by the end of the strategy period
-  Partially off track. At least half of the indicators have been achieved or are likely to be achieved by the end of the strategy period
-  Significantly off track. A small proportion of indicators has been achieved or is likely to be achieved by the end of the strategy period
- n/a There is inadequate data or no firm indicators available

The Indonesia program contains four governance components: bureaucratic reform, economic governance, elections and decentralisation.

Bureaucratic reform is the Indonesian Government's number one stated priority in its national medium-term development plan. Australia's support in this sector was delivered at the request of the vice president's office. Bureaucratic reform on specific issues was also supported as an integral part of assistance under individual sectors in the program such as training on procurement and financial management in the transport and connectivity sector, and planning and organisational support for key law and justice institutions (more information on these activities is provided under the relevant headings in this report).

On economic governance, Indonesia's economy is doing well. Budget deficits remain modest at around 1 to 2 per cent of GDP and the public debt to GDP ratio was down to around 25 per cent in 2011. Increasingly however, Indonesia is finding it difficult to translate economic growth and growing public resources into poverty reduction and human development due to structural challenges. The Indonesia program's work in economic governance continues to focus on addressing these systemic imbalances with programs on tax administration, public procurement and public financial management. Our support to improve capital market regulation and trade policy is designed to boost Indonesia's infrastructure investment, stimulate growth in labour-intensive industries, and help to reform its labour laws to sustain growth and generate more and better jobs for its people.

In 2011, Australian support to Indonesia's elections remained highly relevant given Indonesia's own emphasis on consolidating democracy and challenges in the delivery of fair elections. For example in 2011, according to the Indonesian Electoral Commission, 87 local elections took place and 99 election result disputes were registered in the Constitutional Court (including seven from elections held in 2010). The disputes highlight a significant lack of public confidence in the election process. Indonesia's Human Rights Commission reported that between 25 and 40 per cent of eligible voters lost their right to vote during 2009 elections because of poor voters' lists.

On decentralisation, the Indonesia program focused on working towards the two main objectives of the newly introduced decentralisation and poverty reduction framework, focusing on supporting the government, civil society and the private sector to better reach and better service the poor. Australian programs in this sector are seeking to reform governance that also contributes to achieving key sectoral outcomes, particularly in health, education and local economic development.

An overview of achievements and challenges during 2011 for each of the components follows.

Bureaucratic reform

An independent review in 2012 found that the program has demonstrated significant achievements, however due to the rapidly changing environment, the review recommended stronger oversight mechanisms to mitigate against activities deviating too far from the original intention of the support.

Australia supported 103 men and 24 women from a range of ministries with training on implementing bureaucratic reform such as organisational development and change

management. An independent review found that the assistance had demonstrated some significant achievements, including:

- improving coordination between the Ministry of Home Affairs and the Ministry of Finance to achieve harmonisation on conflicting regulations on fiscal balancing and local government reform
- facilitating civil society engagement in the national anti-corruption strategy (STRANAS)
- facilitating an accelerated program of bureaucratic reform for the Ministry for the State Apparatus
- facilitating an inter-ministerial proposal on integrated financial reforms
- providing technical inputs to parliament's draft law on civil service reform and buy-in to the law within the Ministry for the State Apparatus.

Management consequences

The program has responded to the Indonesian Government's request for assistance through small-scale, flexible activities. AusAID will negotiate stronger oversight mechanisms with the Indonesian Government in 2012 to help keep abreast of the government's progress with its bureaucratic reform program.

Decentralisation

Decentralisation programs are conducted in 10 provinces, more than 40 districts, hundreds of sub-districts and villages, from Aceh to Papua, as well as at national level. They are engaged in both supply-side reforms and demand-led activities to improve service delivery. In Aceh, we have improved health and education services, particularly through support for the implementation of better standards for sub-district health centres and elementary schools. Accurate and detailed costings of minimum service standards in district planning and budgeting in Aceh has been a breakthrough to ensure that services receive the required funding.

AusAID has committed significant resources to strengthen civil society and community organisations. A range of participatory planning and budgeting activities, from village to district level, have been implemented through partnerships with more than 400 civil society organisations and close to 3000 community based organisations, from Aceh to the Eastern Indonesian provinces of NTB, Nusa Tenggara Timur, South Sulawesi, South East Sulawesi, West Papua and Papua. A total of 963 village medium term development plans, 773 village and district regulations on natural resource management, planning and budgeting, local economic development and service delivery, have been developed and passed with direct community participation. Participatory social poverty mapping and village management information systems have also helped district governments to improve the delivery of targeted poverty reduction programs.

For our main decentralisation program, the Australia Indonesia Partnership in Decentralisation (AIPD), 2011 was spent developing additional analysis of local contexts while building trust with government counterparts to ensure smooth implementation of programs in coming years. Activities included data collection, situational analyses, consulting and negotiating on new districts to work in, and developing new operational

arrangements for the provincial governments of Papua and West Papua. Through its 'quick start activities', AIPD has trained 901 regional civil servants on a range of public financial management issues. The districts and provincial partners have acknowledged that AIPD 'quick start' activities supported them in producing timely and quality public financial management documents in 2011.

One of the main challenges in decentralisation is to enable governments to make decisions based on evidence. Our work with the World Bank on public expenditure analysis has increased the use of more evidence-based planning and budgeting processes in the six provinces it works with. In East Java the governor has publicly stated that based on the findings of the analysis (and others by the World Bank), the provincial government plans to significantly increase allocations to improve road networks in all 29 districts. In Aceh, our support to World Bank's Consolidating Peace through Development program has also ensured the use of research and evidence, particularly on conflict prevention related issues, in the development of Aceh's long and medium term development plans (RPJPA 2005–2025 and RPJMA 2012–2017).

At the national level, AusAID has stepped up its strategic engagement with the central government on a range of decentralisation issues, including through AIPD's involvement in establishing a joint national secretariat involving the ministries of planning, home affairs and finance, and focusing on improving regulatory frameworks on public financial management and fiscal decentralisation. On the demand side, we have supported the work of a coalition of civil society organisations to provide input on deliberations around a new draft law on village governance.

The decentralisation programs are helping both local and national governments to become increasingly effective in reaching and delivering services to the poor in the provinces and districts we are working in. The intention now is develop an inventory of trialled and tested effective approaches, and increase the use of these in more districts. This will include profiling smart practices nationally and supporting national adoption of effective approaches.

The quality of our approaches in decentralisation can be assessed by the extent in which Australia's assistance is leveraging Indonesia's own resources at national and local levels to effectively address issues faced by communities. For instance the ACCESS program's investments of \$400 000 per district have brought about leveraging five times this amount in directing annual budget allocations for public services from the government. Supplementing this by working directly with service providers (health clinics and schools) to be fully competent in costing and delivering services will ensure that communities receive what they are entitled to as basic rights for education and health. The increased level of interest at a national level is also a reflection of the quality of our approaches in providing solutions to long standing issues in service delivery.

Management consequences

We have responded to the previous year's management consequences by producing a communication strategy and plan by developing a joint secretariat between three key ministries (planning, home affairs and finance) which will play a key role in spreading knowledge of our approaches for the decentralisation section. We will continue to develop an inventory of what works well and ensure that key achievements are sustained through the involvement of communities and civil society organisations. We will work to

consolidate our decentralisation programs (currently divided into six main initiatives) by streamlining those outside of AIPD into a new decentralisation policy support facility. This facility, together with AIPD, will be AusAID's main form of support to Indonesia's second decade of decentralisation, particularly in the areas of political and administrative decentralisation.

Economic governance

Australia supported economic governance training for 3272 Indonesian public servants in 2011. It was generally delivered in Jakarta to central government officials (2979) and included workshops and training modules over one to 10 days. Training was also provided to financial agencies (273) and regional areas (20). The majority of training was provided to officials in the Ministry of Trade (740 people) in the areas of standard operating procedures, media handling, trade in services and trade negotiation skills. Other areas of training included taxation administration (165) and financial sector supervision and stability (243). The Government Partnership Fund (GPF) delivered a number of different types of training including workshops, twinning arrangements, international placements and high level visits. A total of 821 women were trained in 2011.

2011 was a landmark year for financial regulation in Indonesia with the passage of financial services authority legislation, which established a new independent financial supervisory body for Indonesia. The Australia Indonesia Partnership for Economic Governance (AIPEG), together with Australian Prudential Regulation Authority and the Australia Securities and Investment Commission, assisted with the establishment process through funding via the World Bank, and direct provision of high quality technical assistance and training. Work assisting the roll out of a risk based supervision system in insurance and pension funds (formerly with the old regulator, BLK) continued, and as a result of this new system our support helped identify new instances of fraud which would not have been found previously. Despite this, banking sector vulnerabilities persisted throughout 2011. In 2012, there is a need for legislative certainty for the establishment of financial safety nets, and successful transition of non-banking supervision responsibilities and staff from BLK to the OJK financial services authority, followed by supervision from the Bank of Indonesia in 2013.¹⁰

AIPEG policy assistance to the Ministry of Trade has focused on international trade in services. AusAID has funded Ministry of Trade officials to train staff from other relevant Indonesian Government agencies in trade services policy and advice, as well as negotiation practices. AIPEG has contributed significantly to the preparation of the domestic trade regulation matrix that is already in wide use as reference tool within the Ministry. AIPEG has also assisted with bureaucratic reform and ministry communication. These showed promise in 2011, moving quickly with over 100 staff trained through formal and 'on-the-job' human resources modules. However, the beneficial impact of AIPEG's work on bureaucratic reform and communications will ultimately be limited by the extent to which the broader ministry (and government) is interested in implementing productivity enhancing trade policies.

¹⁰ AusAID's Initiative Independent Progress Report: *Australia Indonesia Partnership for Economic Governance (AIPEG)* November 2011.

Throughout 2011 AIPEG assisted the tax agency in its work on tax system integrity and tax base broadening. In particular, AIPEG's assistance with the 2011 tax census led to a further 443 100 additional businesses and individuals being brought into the tax system in less than six months. The internal investigations unit trained 46 tax officials in internal investigations with assistance from AIPEG. The standard of this training has been recognised as very high, with many officials following-up with requests for more information and further advice on aspects of the training.

Through the Support for Enhanced Analysis and Monitoring of the Indonesian Economy (SEAMIE), AusAID supported the Fiscal Policy Office in the Ministry of Finance to rapidly analyse and respond to changing global economic conditions. Support was also provided in areas which are at the heart of some of Indonesia's most pressing longer term fiscal policy issues, including estimation of Indonesia's tax potential, analysis of the effectiveness of intergovernmental transfers, and constraints on the disbursement of capital expenditures. SEAMIE's work also laid the technical foundations for a medium-term fiscal framework.

As in previous years, implementation and coordination across Indonesian Government agencies remains difficult and a hindrance in realising more reforms.

AusAID's economic governance programs in Indonesia have been assessed as effective, with many activities highly valued by Indonesian Government counterparts. The AIPEG mid-term review in November 2011 noted that the facility's main focus—the renewal and effective functioning of economic institutions—is a known key determinant in economic success. AusAID has supported many key economic reforms, however attribution of these improvements to AusAID remains difficult. Developing and strengthening capacity in Indonesian Government agencies responsible for economic policy is the main focus of AIPEG, GPF and SEAMIE. There is good Indonesian ownership of all activities. This is indicated by strong engagement and involvement of senior Indonesian Government officials in all workshops and consultations.

AusAID's partnership with the World Bank strengthened over 2011, and AusAID participating in many World Bank-led meetings with Indonesian Government agencies, including in discussions on development policy lending operations. Australia has been also involved in reform dialogue through ongoing work on the climate change green paper.

Management consequences

In the last APPR, AusAID flagged its intention to research partner agency needs and interests and to use this information to guide future programming for GPF and AIPEG activities. This work has commenced and scoping papers are currently being prepared on tax policy and regulation, state-owned enterprise reform, trade in services, and natural resource management for consideration by the AIPEG board.

The partnership with the World Bank in the areas of supporting macro-economic and fiscal policy analysis (SEMEFPA) was renewed in 2012 for three years. AusAID, Australian Treasury officials in the Fiscal Policy Office and the World Bank are reaching agreement on priority themes for future policy and analytical work.

An unpredictable Indonesian economic reform agenda means that AusAID's economic governance activities must be increasingly flexible and responsive, scaling up where opportunities arise and scaling down as they close.

For 2012, the first management consequence is that AusAID must engage with the right stakeholders to ensure investments have a good chance of being effective. Augmenting the skill mix of the AIPEG management support team will facilitate this.

Second, AusAID will find ways to better use the considerable expertise and connections of the Indonesian AIPEG board in formulating new directions.

Lastly, AusAID recognises that a focus on implementation and coordination is pivotal to realising the benefits of reform. We will engage more with a wider cross-section of Indonesian partner agencies and non-government entities on all issues to help facilitate coordination, rather than working with single government agencies.

Elections

In 2011, Australia supported training for 624 election officials. The majority of this (489 officials, 23 per cent women) was delivered by the Australian Electoral Commission to strengthen the understanding of senior elections officials from 19 provinces on the principles of elections management. The commission also provided 16 work placements for election management officials in its Jakarta and Australian offices. The program helped improve electoral management by helping:

- prepare and pilot testing of a new nationwide voter registration system
- finalise three local election manuals
- provide analytical input for electoral legislation being considered by parliament relating to disability
- improve preparations for Aceh local elections.

In Aceh the program supported improved voter education management and electoral dispute handling by establishing the first hotline call centre for elections disputes managed by a provincial elections supervisory body.

The elections program exceeded expectations in activities undertaken in 2011, specifically election official training and support to improvements in the voters' list. However delays in implementing the program meant not all of the anticipated activities relating to electoral legislation, voter education, election monitoring and support to civil society organisations were completed.

Australia remains the most significant donor to Indonesia's elections management, and has maintained strong relationships with election management officials and civil society organisations. Nonetheless, elections remain a sensitive area for foreign assistance and subject to accusations of foreign interference. Assistance in Aceh was timely given the increasing reports of violence in the province in the lead-up to the election. The passage of critical electoral legislation in 2012 will shape the program's engagement in the electoral sector moving forward.

Management consequences

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

Law and justice

Sector objectives	Rating in 2011	Relative to previous rating
Increased capacity in the courts and law enforcement agencies to deliver better quality legal information and services (changed)	■	n/a
Increased capacity of civil society organisations to participate in the reform process of the courts and law enforcement agencies (changed)	■	n/a

■ On track. A high proportion of the objective indicators has been achieved or is judged as likely to be achieved (based on current trajectory) by the end of the strategy period
 ■ Partially off track. At least half of the indicators have been achieved or are likely to be achieved by the end of the strategy period
 ■ Significantly off track. A small proportion of indicators has been achieved or is likely to be achieved by the end of the strategy period
 n/a There is inadequate data or no firm indicators available

The law and justice sector provides both an important service to individuals seeking justice and performs a broader, more complex role in society as one of the three arms of a democratic system of government. Law enforcement and the eradication of corruption is one of the five key priorities for President Yudhoyono’s second term in office and an important element of Indonesia’s Five Year Development Plan (2010–2014). Australia began its new five-year program of support to the sector in mid 2011. The Australia–Indonesia Partnership for Justice (AIPJ) is designed to increase access to better quality legal information and services, and in 2011 primarily worked with central institutions including the Supreme Court and the Attorney-General’s Office. Through AIPJ, together with our support to the World Bank Justice for the Poor program, Australia has positioned itself to support both top down corruption eradication and institutional reform as well as listen to the needs of stakeholders and assist people to access justice.

Key achievements in 2011 included:

- The Supreme Court improved its case management practices by setting up systems to improve consistency in judicial decision-making and reduce its backlog of cases. AusAID’s support focused on helping the court to establish a chamber system, in which judges specialise in different areas of law and cases are allocated accordingly. This will be completed in 2014. AIPJ is also helping the Supreme Court to implement an electronic file appeal process which will reduce processing time, increase access to court decisions, and case processing and tracking information to improve people’s access to the court system.
- Service charters were finalised which set out justice seekers’ rights in their dealings with the courts, including the right to information and to legal aid, and explaining court costs and how to make complaints. AIPJ will support the

Supreme and Religious Courts to implement these charters to provide a more satisfactory court experience for justice seekers.

- The Attorney-General's Office received support to implement its bureaucracy reform agenda through a reform team—drawn from civil society—which helped improve the office's human resource structure, business processes, information systems and staff supervisory systems.
- The Family Court of Australia provided training to information desk officers at Religious Courts to improve the way they deliver information to justice seekers. This training included sessions on supporting justice seekers with disability and poor women.

Following on from work done by the Family Court of Australia, AusAID continued to support the women's civil society organisation, PEKKA, to work with poor women to access justice and inform the Supreme Court and Religious Courts about the needs of these women. In 2011, the Religious Courts began rolling out a program of free consultations with lawyers in a number of courts, and are continuing to increase access to fee waiver and circuit court programs. Being able to access the courts for rulings such as birth and divorce certificates assists poor women to establish a legal identity for their children and establish themselves as head of a household. This opens up access to other public services such as poverty alleviation programs (including rice and cash transfers), free health services, and free education programs for women, their children, and the households they support.

Between 2009 and 2011 Australia and the Netherlands supported the World Bank's Justice for the Poor program which contributed to improving access to justice at the local level, including by training nearly 500 paralegals and providing legal education to over 30 000 individuals, as well as support for the institutional development of the five non-government organisations providing legal aid. In 2011 it also supported the establishment of an Indonesian paralegal network that brought over 50 paralegal organisations together to strengthen their lobbying impact on national level policy-making, particularly on the development of the law on legal aid.

In 2011 Australian programs in the law and justice sector trained 1540 officials (1326 men and 214 women) and supported seven civil society organisations to support legal service provision. The training was delivered by both Indonesians and Australians, and leveraged off the close relationships between Australian and Indonesian courts.

Management consequences

All management consequences identified in the 2010 APPR were addressed. The transition between the law and justice bridging program and AIPJ was managed smoothly, but left AIPJ with a number of legacy programs. A review will take place in 2012 to determine the forward focus of Australia's support to the sector, including considering expanding AIPJ's community level support and exploring how to work more closely with other AusAID programs on points where service delivery depends on a well functioning and accessible justice system. The driving principle will be to establish the most effective balance between top-down institutional reform and community level service delivery, the combination of which will meet the needs of justice seekers in a way that can be sustained by law and justice institutions.

Rural livelihoods and agribusiness

Sector objectives	Rating in 2011	Relative to previous rating
Improved smallholder agribusiness practices	■	Unchanged
Improved enabling environment for agribusiness that benefits smallholders	■	Unchanged
Better functioning agricultural markets as part of value chains	■	Unchanged

■ On track. A high proportion of the objective indicators has been achieved or is judged as likely to be achieved (based on current trajectory) by the end of the strategy period

■ Partially off track. At least half of the indicators have been achieved or are likely to be achieved by the end of the strategy period

■ Significantly off track. A small proportion of indicators has been achieved or is likely to be achieved by the end of the strategy period

n/a There is inadequate data or no firm indicators available

Two-thirds of Indonesia's poor households rely on agriculture for a living. Responding to evidence that growth in agriculture is at least three times as effective in reducing poverty as growth originating in other sectors, 2011 was spent in preparing for the new \$112 million Australia–Indonesia Partnership for Rural Economic Development initiative (2012–2017) which will implement the shared Australian and Indonesian governments' goals of increasing agricultural productivity and incomes.

Program activities in 2011 provided access to agricultural technologies for 46 639 poor women and men. In one example, the value of cattle production increased by \$25 250 from a total transaction of \$420 000 in program areas, and in all 12 298 people increased their incomes by between 6 per cent to 14 per cent. Working with the Indonesian Government and civil society partners, results are expected to scale up significantly in 2012.

Despite achievements in 2011, ratings against outcomes remain quite low. While access to better technologies saw improved farmer agribusiness practices in pilot areas, further assistance is needed to expand and embed take-up of new practices.

Further work is also required at both the national and local levels to improve the enabling environment for farmers (for instance, access to agricultural research and extension services), and their access to functioning agricultural markets. Identifying and establishing partnerships with suitable private sector, government and civil society stakeholders will be important to ensure the program's success. Although some success has been achieved, implementation at a broader scope, the involvement of more stakeholders (including private sector), and improved access to markets must also be developed to ensure sustainability. Aside from this, shifting climate patterns and consistent local government support are other factors that must be incorporated into future programming.

Management consequences

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

Program quality

2011 was an important year for developments in approaches to quality across AusAID, with the release in July of the *Independent review of aid effectiveness* and the government's response to *An Effective Aid Program for Australia: Making a real difference—delivering real results*. In response, the Indonesia program strengthened its ability to meet the commitments of *An Effective Aid Program for Australia* by creating a new Program Effectiveness and Performance section. This section consolidates current program support functions and adds new priority areas. It contains four units: Design, Procurement, Performance and Quality, and Risk and Fraud. The new section is supporting all sectoral teams to improve the design and delivery of effective aid across the Indonesia program.

Program capacity to generate and use effective performance information

The quality of monitoring and evaluation continues to improve on the Indonesia program. After its second year of implementation in 2011, the five-year Evaluation Capacity Building Program (ECBP) has made adequate progress. Over 54 per cent of the program's 132 related staff in Jakarta, and nearly all staff in Canberra, have been trained and are applying ECBP concepts. Staff are increasingly more confident in managing monitoring and evaluation activities and assessing the quality of reports. On the supply side, progress by implementing partners in meeting the monitoring and evaluation standards introduced by the ECBP have been slower. This is not a surprising result given the complex nature of an institutional change program, and in 2012 we will expand our communication with the implementing community, and articulate our monitoring and evaluation requirements more broadly to the industry to attract a broader pool of specialists. We will also work to ensure that the standards are accurately reflected in terms of reference for monitoring and evaluation specialists at the procurement stage.

The Indonesia program commissioned seven evaluations in 2011 with no programs seeking exemption from evaluation. The smaller number of evaluations can be attributed to, in part, the ECBP which has worked to ensure that no programs conduct an evaluation without considering how it will be used.

All evaluations submitted have contributed to program improvements or are feeding information into design work articulated in management responses.

Evaluation reports and management responses are published at www.aisaid.gov.au/Publications/Pages/List.aspx?type=PubEvaluationReports

Evaluations can still be strengthened in terms of investigating relevance and questions around why or why weren't outcomes achieved. We will also improve our knowledge sharing of evaluation findings across programs. A mid-term review will be commissioned towards the end of 2012 to assess the progress of the ECBP.

During 2011, the Indonesia program invested in further developing tools to assist decision-making by senior management. The monthly management dashboard tracks portfolio management by consolidating information from a range of AusAID reporting systems, including program expenditure, human resources and program risks. The information assists senior management to efficiently track performance across the program, move resources where there is need and keep a close eye on risk and potential fraud.

The program management plan is the key document for planning a country program, especially where there are a number of programs ending, and ensuring a reasonable pipeline is implemented in a timely way. The information is updated quarterly and analysis is provided to inform decision-making.

The program planning matrix is enabling staff to plan out more detailed timelines than is possible in the PMP for all design, evaluation and sector strategy processes.

Trends in performance data Quality at Implementation (QAI) reports are an important part of AusAID's Annual Quality Reporting System, tracking the progress and assessing the overall development effectiveness of initiatives. The Indonesia program has worked with teams over the last two years to strengthen the quality of reporting and information in our QAIs. During 2011 there was a clear improvement in the quality of the reports.¹¹ Overall, 48.7 per cent of the initiatives were implemented to a high level of quality, 28.2 per cent with acceptable/moderate quality and 23.1 per cent required further improvement. This compares favourably to the levels of 2010 when 29.2 per cent required improvement.

Note: The full list of initiatives and their ratings by each quality criteria can be seen in Annex 2.

Pipeline and program scale up

In recognition of the large amount of designs being undertaken and the challenges in achieving good quality designs, the Indonesia program established a new Design Unit in late 2011. It consisted of one staff member at the end of 2011 but increased to two in 2012. Its key roles are to:

- improve the quality of designs by developing design principles and guidance and helping teams to access design expertise
- improve the efficiency of design processes by supporting teams to effectively plan and manage these
- facilitate learning around designs
- engage with the broader agency on reforms relevant to designs.

Indonesia program designs in the pipeline are on track to meet the expected budget to 2013–14. New designs, with a lead-time of at least 18 months for design and procurement, are being planned to start in January 2013 and January 2014 to meet program scale up out to 2016–17.

In line with findings and recommendations in the aid effectiveness review, the Indonesia program has increased efficiency in program delivery by consolidating initiatives—which reduced from 122 in 2009–10 to 71 in 2011–12—while experiencing significant growth in our budget. PMP analysis shows that between July 2012 and June 2016 the total number of initiatives in implementation is likely to decrease further. Subject to achieving agency performance hurdles, significant expenditure scale up is likely to 2016–17.

Policy analysis

¹¹ Of the 39 Quality at Implementation reports of 2011, 64 per cent were at least reasonably well written based on a subjective assessment made by the Performance and Quality Unit. This compares to 58 per cent in 2010, which reflects an improvement but with further work to graduate all initiatives to a realistic level of quality reporting of around 80 per cent.

During 2011, AusAID Indonesia established a Policy and Advisory Unit to enhance the quality of high-level policy dialogue with Indonesia in areas of mutual interest, support the development of evidence-based programming in AusAID's portfolio, and help shape the strategic direction of the program in Indonesia. It achieves these by working with the sectoral teams to analyse the current scope and nature of policy dialogue in selected sectors and identify opportunities for extending or deepening such engagements. In addition, it aims to identify and synthesise existing knowledge, and to strengthen the evidence base of concept notes and designs so they incorporate the most relevant development thinking and practice.

Whole-of-government

The Australian aid program to Indonesia is characterised by strong whole-of-government engagement, reflecting the broad and deep bilateral relationship. Approximately 10 per cent of official development assistance (ODA) to Indonesia is delivered by other federal and state government agencies. There are many opportunities for cooperating with Indonesia on a range of sectors and issues outside of the AusAID program. Australia values the reputation it has for responding flexibly to Indonesia's emerging priorities, dealing promptly with irritations in the bilateral relationship, and delivering nuanced solutions to niche needs. Some of these kinds of activities fall within the definition of ODA and are funded from the ODA budget. An ad-hoc array of smaller ODA-funded activities will remain, and the onus is on Australian Government departments to design activities that maximise the impact on poverty reduction and minimise administrative overhead while also supporting the national interest.

The departments that spent the most ODA in 2011 were the Department of Immigration and Citizenship (DIAC), the Australian Centre for International Agricultural Research (ACIAR) and the Department of Foreign Affairs and Trade (DFAT). Their projects reflected their mandates, with DIAC targeting better care and management of irregular migrants intercepted on route to Australia, ACIAR supporting a variety of agricultural research projects (such as improving the sustainability of cocoa production and building more profitable and sustainable farming systems) and DFAT managing the Direct Aid Program for the Jakarta Embassy and the Bali Consulate-General (a small grants program that supports various non-government organisations and local community groups engaged in development activities in Indonesia). AusAID also manages some small competitive grants funds that support whole-of-government agencies to deliver activities. For example, the Public Sector Linkages Program (which is also open to public universities), and the Counter Terrorism Cooperation Fund (which funds counter-terrorism projects implemented by a variety of Australian Government agencies, including DFAT, the Australian Federal Police, the Attorney-General's Department and AUSTRAC), which are delivered in consultation with the Indonesian counterparts of these agencies.

The capacity of whole-of-government partners to design effective interventions and to measure results is patchy. AusAID Indonesia is encouraging government colleagues to seek funding for staff when proposing ODA activities through the budget process. Subject to design and procurement, a new Policy Coordination Facility will include a small allocation of funds for whole-of-government agencies to seek expertise in designing, implementing and evaluating their ODA activities.

Gender equality

The overall objective of AusAID's gender action plan (GAP) is to help internal stakeholders bring about changes that improve women's access to services, democratic process, decision-making and women's rights. In 2011 the Indonesia program completed a gender stocktake and restructured its approach to ensure that the GAP objective remained a core focus.

In late 2010, the gender components of all AusAID's programs running until the end of 2011 were reviewed to identify the level of gender mainstreaming across the Indonesia program. This included field visits to selected programs to analyse the effectiveness of gender approaches at initiative level.

The stocktake found that most initiatives have integrated and used tools, resources and processes to address gender equality to some extent. Priority sectors outlined in GAP (governance, community development, health, HIV and education) are generally integrating gender equality very well. The Indonesia program has been relying on the capacity of its implementing partners to manage gender, with minimum supervision and support from AusAID. However, the stocktake also showed that knowledge management through studies and evaluations for gender equality still needs more attention.

Multilateral performance assessment

The Indonesia program has strong relationships with a range of multilateral partners. For example, AusAID funds several sectoral trust funds with the World Bank's office in Indonesia, works with UNICEF in the delivery of education programs in Papua, and partners with the Asian Development Bank in implementing the Analytical Capacity Development Program component of our Education Partnership with the Government of Indonesia. Overall, multilateral organisations have met expectations in terms of performance and effectiveness.

Of particular significance has been the use of multi and single-donor trust funds with the World Bank. For example, by the end of 2011 six donors, including AusAID, had pledged a total of US\$215 million to support Indonesia's National Community Empowerment Program (PNPM) through the World Bank managed PNPM Support Facility (PSF). Donor contributions have supported the scale up of innovative pilot programs to improve community health and education and for greater involvement of marginalised groups in the development process. After some initial challenges with internal resourcing, both the performance of the PSF and funds disbursement are now largely on track. PSF funding has also supported a range of evaluations and studies that have been the basis for mapping out a number of program policy directions.

Similarly, through the AusAID-funded Knowledge Based Poverty Reduction Trust Fund, the World Bank undertook a valuable public expenditure review on social assistance that is feeding into the government's social assistance strategy development. Work under this trust fund was also instrumental in allowing the government to compile a unified database of 40 per cent of the poorest households in Indonesia that will be used by all social assistance programs.

There are several other examples of trust fund arrangements, which are working well and achieving results (for example in infrastructure), enabling AusAID resources to leverage multilateral loans and support policy reforms. However, performance has been variable. Going forward, it is intended to provide a more systematic results framework for

monitoring the performance of funding to multilateral organisations including mechanisms for reallocating funds based upon performance. For example, discussions have started with the World Bank about more efficient mechanisms for managing the portfolio of AusAID-funded activities, including the possibility of linking funding to performance. In addition, AusAID is working with the World Bank to support reforms to the World Bank's systems (including human resources, supervision and evaluation) to maximise the impact of Australia's funding.

Other ways the program has advanced the aid effectiveness agenda in 2011

To enable strategic integration of risk and fraud across the program, a new risk and fraud unit was established in September 2011. The program has adopted an integrated approach to the management of operational and strategic risks by developing a Post Risk and Fraud Plan 2011–12 that is updated annually, and by identifying and documenting high-level risks at the implementation and delivery stages of programs. A monthly risk report is used to identify and document the risks relevant to each management level. This has led a process of cultural change whereby risk management has become far more dynamic rather than compliance based. This new approach is also now being adopted in an integrated way by our implementing partners.

The above approach is substantially contributing to the development of a risk management culture for the program. Sectors are using the risk register as a key management tool. In addition, risk management has been integrated into program design and pre-implementation phases of program development. This includes assimilation with performance and procurement to ensure a holistic consideration of risks for new initiatives. This approach is still being tested to assess the most effective way risk can be integrated in the design phase and will be further applied in 2012.

Anti corruption

Australia has responded to requests for support to address corruption in Indonesia. AusAID is helping build the capacity of Indonesian prosecution agencies and to increase the transparency of the judiciary, for example through training on investigating corruption and how to manage anti-corruption investigators. We have shared AUSTRAC experience with implementing anti-money laundering and counter-terrorism financing legislation and strengthened management of financial intelligence. Through the ANAO we have helped improve the Financial Audit Agency's (BPK's) financial and performance audit functions through secondments, training and technical input. We also provided technical advice on public procurement processes for the National Procurement Policy Agency (LKPP) to improve the transparency of government procurement.

Management consequences

Status of follow-up actions from the 2010 APPR are as follows:

- Commencing new programs in education, elections, justice, decentralisation, and emerging infectious diseases.

New programs commenced in these sectors during 2011 including the Government Partnerships Fund and part of the Elections Program in January, Australia–Indonesia Partnership for Decentralisation in February, Australia–Indonesia Partnership for Justice in June, and the Education Partnership in August. The Emerging Infectious Diseases program started before 2011 in December 2010.

- Finalising designs for health system support, women's leadership, rural livelihoods and the knowledge sector

Designs approved at peer review during 2011 were rural livelihoods (May 2011), health system support (July 2011), and the knowledge sector (September 2011). The women's leadership design was approved at peer review in May 2012, rather than during 2011, due to difficulties in recruiting a sufficiently skilled in-house design writer.

- Commencing analytics and designs on disaster risk mitigation, infrastructure, a second climate change REDD pilot, support for the Fiscal Policy Office and scholarships

During 2011, analytics commenced for the following designs: disaster risk management, the second phase of the climate change REDD program, support for the Fiscal Policy Office (Ministry of Finance), and infrastructure programs for sub-national roads, waste water master plan, infrastructure grants for sanitation, and outputs-based grants for water and sanitation. Scholarships support for 2012–2014 was also tendered.

- Commencing detailed planning on the potential expansion of the program, including analysis of where further AusAID investments are likely to deliver the greatest returns in poverty alleviation, and beginning work on a new country situation analysis

Planning on areas of expansion across the program has been undertaken in a range of areas, which include tertiary education, continuation of investment in road infrastructure, expansion of social protection programs, expansion of HIV support in Papua, and a new maternal neonatal child health program in eastern Indonesia. Work on the new country situation analysis was completed and led by the new Policy and Analysis Unit.

- Establishing a Policy and Analytical Unit under the lead economist that will strengthen the program's analytical and research capacity, and its ability to engage in high level policy dialogue on reform with the Government of Indonesia

A Policy and Analytical Unit was established during the year. It is headed up by the lead economist who coordinated in-house sectoral specialists. The unit functions are as outlined in the policy analysis section above.

- Implementing mid-term review recommendations: acquiring and using knowledge to engage in policy reform, including better understanding the gender impacts of our program, improving people management and leadership so AusAID can continue to attract and retain high calibre staff, and improving AusAID Jakarta's capacity to monitor and review the quality of the portfolio to improve its effectiveness

The Policy Analysis Unit was established to strengthen the Indonesia program's ability to engage in policy reform. We repositioned gender with the social protection adviser in the PAU to promote greater cross-sector engagement. This has contributed to development of a new program promoting woman in leadership. The Evaluation Capacity Building Program continued to work on strengthening the Jakarta program's ability to monitor and review the quality of the portfolio under the oversight of the newly formed Program Effectiveness and Performance section.

- Strengthening portfolio risk management and fraud mitigation approaches

The Risk and Fraud Unit was established in September and staffed with a risk and fraud manager under the Program Effectiveness and Performance Section. New approaches to risk management were implemented as outlined earlier in the report.

- Establishing more robust management information tools to drive program coherence, consolidation and growth

The monthly management dashboard, program management plan and program planning matrix, and the monthly risk management report were tools developed in 2011 to strengthen program management, coherence and consolidation during growth.

- Restructuring part of the Jakarta operation to strengthen our quality assurance and design capacity

The PAU and PEP were established as mentioned above. The Design Unit and Risk and Fraud Unit were new entities under this new structure.

Management actions to be undertaken during 2012 from the 2011 APPR are as follows:

- Finalise the country strategy outlining the future direction of expanded program to 2015–16
- Commence new programs in knowledge sector, Women in Leadership (MAMPU), Australia–Indonesia Program for Decentralisation—Rural, HIV program in Papua (REACH), and Health System Strengthening.
- Commence new designs for tertiary education, maternal and neonatal child health, scholarships, disaster management, infrastructure, climate change and the social protection and PNPM scale up.
- Complete the Provincial Road Improvement and Maintenance (PRIM) program design by the end of 2012.
- Conclude, or put in place extension arrangements for maternal and neonatal health, PAMSIMAS, WASPOLA and AIFDR.
- Assess the efficiency and effectiveness of delivery mechanisms to inform appropriate resourcing and structure of programs out to 2015–16.
- Strengthen the link between the country program and the agency’s five key development outcomes as mandated by the Comprehensive Aid Policy Framework.
- Continue to strengthen our quality assurance and design capacity.
- Continue to strengthen portfolio risk management and fraud mitigation approaches.
- Engage with Australian whole-of-government partners to deliver effective and coordinated ODA programs in Indonesia.
- Review multilateral engagement with a view to improved efficiency and transparency of Australian ODA in Indonesia.

HEADLINE RESULTS SUMMARY – INDONESIA PROGRAM

Headline result indicator	2011 result	How Australia contributes (type of aid)	Method of calculation	Data source
1. Number of children vaccinated	49 962	Contribution to a pooled fund and technical assistance	Pro-rata based on Australia's financial contribution against total of program specific spending	PNPM Generasi management information system
2. Number of additional births attended by a skilled birth attendant	41 184	AusAID-funded projects and contribution to a pooled fund and technical assistance	Entire result and pro-rata based on Australia's total financial contribution against total of program specific spending	NTT Provincial Health Office Facility and PNPM Generasi management information system; data quality medium
3. Number of people provided with increased access to safe water	509 723	AusAID-funded projects and contribution to a pooled fund and technical assistance	Entire results and pro-rata based on Australia's financial contribution against total of program specific spending with assumptions	Water and sanitation, PAMSIMAS Hibah, LOGICA 2 and ACCESS 2 data and monitoring and evaluation; data quality medium
4. Number of additional people with increased access to basic sanitation	109 464	AusAID-funded projects and contribution to a pooled fund and technical assistance	Entire results and pro-rata based on Australia's financial contribution against total of program specific spending with assumptions	Water and sanitation, PAMSIMAS Hibah, LOGICA 2 and ACCESS 2 data and monitoring and evaluation; data quality medium
5. Number of people with increased knowledge of hygiene practices	97 178	AusAID-funded projects and contribution to a pooled fund and technical assistance	Entire results and pro-rata based on Australia's financial contribution against total of program specific spending with assumptions	Water and sanitation, PAMSIMAS Hibah, LOGICA 2 and ACCESS 2 data and monitoring and evaluation; data quality medium
6. Percentage of water and sanitation management committee members who are women	34.44	Contribution to a pooled fund and technical assistance	770 women out of total 2236 committee members	PAMSIMAS monitoring and evaluation system; data quality medium
7. Number of additional children enrolled in schools	None	Education Partnership Program did not build schools in 2011, but up to 2000 schools will be built by 2016	No data on enrolment was available from the schools build under PNPM Generasi in 2011	Education Partnership Program
8. Number of classrooms built or upgraded	41	Contribution to a pooled fund and technical assistance – contribution 33%	(45 upgraded and 78 constructed) X 33% = 123 x 33%= 459 (rounded up to 41)	PNPM Generasi management information system – received from PNPM Support Facility
9. Number of students provided with financial or nutritional support	56 104	Contribution to a pooled fund and technical assistance – contribution 33%	Pro-rated: scholarships – 25 557 ; transportation subsidies – 8388 ; financial support to purchase uniforms – 22 159 ; nutrition support at school – 6305	PNPM Generasi management information system – received from PNPM Support Facility

Headline result indicator	2011 result	How Australia contributes (type of aid)	Method of calculation	Data source
10 Number of teachers trained	None	Education Partnership Program did not train teachers in 2011, but will in 2012		Education Partnership Program
11. Number of school officials trained	594 831 <i>(preliminary results)</i>	Contribution to a pooled fund and technical assistance. Funding was channelled through partner systems through a grant agreement	Preliminary data shows that 594 831 school officials (school principals, supervisors and school committee members) or 91% of the target group participated in the BOS training in 2011	GOI data and monitoring instruments for verifications; data reliable and consistent
12. Number of textbooks provided	18 650	Contribution to a pooled fund and technical assistance	56 515 students received textbooks, AusAID = 18 650 (Australia's contribution 33% of total program budget in 2011)	PNPM Generasi management information system – received from PNPM Support Facility
13. Number of people provided with disability services like prostheses and assistive devices	No data			
14. Number of children able to access schools that have been made more accessible to children with disability	No data		No data available from the schools build under PNPM Generasi in 2011	
15. Number of women survivors of violence receiving services such as counselling	None			
16. Number of people awarded tertiary scholarships	350	AusAID-funded project	Australian Development Scholarships awarded in 2011	Online Australia Scholarships Information System, and Scholarships Section in Canberra
17. Distance (kilometres) of roads constructed, rehabilitated or maintained	110	AusAID-funded project	EINRIP Expenditure in 2011 A\$68 273, approximately 27.9% of the A\$24 458 million for 395 kilometres of roadwork, equals to 110 kilometres of roads in 2011	AusAID-funded project; EINRIP's annual progress report and monthly monitoring reports.
18. Number of poor women and men who gain access to and use agricultural technologies	46 639	AusAID-funded project and through NGO implementation (by Yayasan Mitra Tani Mandiri - YMTM in the North Central Timor Province of Indonesia)	Entire results: 14 639 (6258 women) were direct YMTM farmers' group initiative beneficiaries, plus one representative from each of 32 000 households who benefited from the project	Based on reporting from YMTM; data quality medium-high
19. Value of additional agriculture production (US\$)	US\$25 250	AusAID-funded project and through NGO implementation	Entire results based on head count for all groups receiving assistance throughout the period (data only available from the cattle raiser groups)	Based on reporting from YMTM; data quality medium

Headline result indicator	2011 result	How Australia contributes (type of aid)	Method of calculation	Data source
20. Number of poor women and men who have access to financial services	1480	AusAID-funded project and through NGO implementation	Entire results based on head count for all groups receiving assistance throughout the period	Based on reporting from YMTM (confidence medium)
21. Number of poor women and men with increased incomes	12 298	AusAID-funded projects and one is through NGO implementation	Entire results: 7899 people (83% were women i.e. 6556 women + 1343 men) + 6500 people	LOGICA 2 and ACCESS 2 data and monitoring and evaluation; reporting from YMTM (data quality: medium)
22. Number of additional poor women and men able to access social transfers (such as cash or in kind transfers including food)	None			
23. Number of countries assisted with adaptation programs to reduce vulnerability to climate change	1	AusAID-funded project	N/A	N/A
24. Number of countries assisted to minimise carbon emissions as their economies grow through technological and regulatory support	1	AusAID-funded project	N/A	N/A
25. Number of police and other law and order officials trained	1540 (214 females; 1326 males)	AusAID-funded project	All law and order officials trained by the project in 2011 (none were the police)	Institute for Judicial Independence – the contractor and CARDNO the implementing partner
26. Number of countries supported to improve public financial management	1			Australia Indonesia Partnership for Economic Governance (AIPEG) Program; Support for Enhanced Analysis and Monitoring of the Indonesian Economy (SEAMIE) Program

Headline result indicator	2011 result	How Australia contributes (type of aid)	Method of calculation				Data source
27. Number of public servants trained	13 848 people (=1565 women; 3090 men, and an additional 91 933 people who were not disaggregated by gender)	AusAID-funded projects and contribution to a pooled fund and technical assistance	Sector	Female	Male	Total	Decentralisation sector: ACCESS, LOGICA 2, PEACH, AIPD, and CPDA initiatives; economic governance sector: AIPEG, GPD, ISP3; elections counterparts; infrastructure sector: IndII and EINRIP; Kemitraan for Reform; reports from PMD and Bappenas on training participants; Water and Sanitation Hibah managing contractor (confidence medium); PAMSIMAS monitoring and evaluation system (confidence medium); AusAID's progress reports EID; AIPH-HIV; AIP-MNH.
			Central Gov.	761	1193	1954	
			Local Gov.	676	1625	2301	
			Financial	104	169	273	
			Unspecified	24	103	127	
			Sub-total F+M	1565	3090	4655	
Unspecified	Not disaggregated by gender	9193					
		Total people		13 848			
28. Number of civil society organisations supported to track service provision	453	AusAID-funded projects					Decentralisation sector: ACCESS, LOGICA 2, PEACH, AIPD, and CPDA initiatives; justice sector; health sector: HCPI, CHAI, IPF, and MCM initiatives
29. Number of vulnerable women, men, girls and boys provided with life-saving assistance in conflict and crisis situations	46 364	AusAID-funded project and through NGO implementation	13 347 women + 15 365 men + 9650 children (covering 4185 female, 4252 male, 1213 not disaggregated) + 1886 youth (covering 565 female and 1321 male)				SurfAid, Plan International, Save the Children
30. AusAID disaster responses launched within 48 hours of a request for assistance in (x) number of humanitarian crises	1	No major disaster occurred in 2011					AusAID's Disaster Response Unit and AIFDR

Annex 1: Summary of Indonesia program's sector objectives in 2011

Sectors and objectives	Rating in 2011	Relative to previous year's rating
Education		
Government of Indonesia projected infrastructure requirements met for junior secondary schools for districts with low gross enrolment rate nationwide	■	Declined
A national system delivering strengthened sub-national capacity for education system and management	■	Declined
Improved madrasah quality in reference to the eight national education standards and capacity for systemic support to madrasah quality in targeted provinces (revised objective)	■	n/a
Access to quality research and analysis informing policy decisions and policy implementation	■	Unchanged
Scholarship		
Alumni applying knowledge and skills in their workplaces	■	n/a
Alumni effectively integrated into key agencies to strengthen agency service provision	■	n/a
Alumni initiating or supporting people-to-people links between Indonesians, and between Indonesians and Australians	■	n/a
Alumni returning with and maintaining a positive perception of Australia	■	n/a
Health		
Improved utilisation of quality primary health care and appropriate referral in selected districts and provinces health care (revised objective)	■	n/a
Confident use of health facilities and services for delivery of babies, ante-natal and post-natal care in NTT	■	Improved
Increased HIV/AIDS prevention, treatment and care/support in selected regions	■	Unchanged
Strengthened leadership of the national and sub-national response to HIV/AIDS	■	Declined
Strengthened emerging infectious diseases prevention, detection and control mechanisms in the Ministries of Health and Agriculture	■	Unchanged
Infrastructure: transport and connectivity		
Strategic regional sections of the national road network built or upgraded to a national standard	■	Unchanged
Improved DGH business processes (design, procurement, supervision) for works on national roads	■	Unchanged
Enhanced capacity to plan, budget and manage transport systems (revised objective)	■	n/a
Greater coherence and integration of Government of Indonesia policies across transport and communication infrastructure	■	Unchanged

Sectors and objectives	Rating in 2011	Relative to previous year's rating
Infrastructure: water and sanitation		
Improved management performance of urban water service delivery agencies	■	Improved
Improved management performance of urban sanitation service delivery agencies	■	Unchanged
Improved operational systems and procedures for district government rural water services	■	Improved
Improved operational systems and procedures for district government rural sanitation services	■	Unchanged
Government of Indonesia policies adopted and applied by local government and community watsan providers	■	Unchanged
Improved delivery of urban water (new objective)	■	Unchanged
Improved delivery of urban sanitation (new objective)	■	Unchanged
Social protection and community driven development (PNPM)		
Strengthened Government of Indonesia poverty reduction instruments	■	Unchanged
Strengthened ability to reach for the poor	■	Unchanged
Climate change		
REDD demonstrated to be practical, effective and equitable	■	Unchanged
Future global outcome on climate change influenced by Indonesian experience with REDD	■	Unchanged
Locally generated new knowledge of climate change adaptation being used in strategy development at all levels of government	■	Unchanged
Disaster risk management		
The National Coordinating Agency for Disaster Management is a mature organisation fulfilling its responsibilities as guardian of the disaster management law	■	Improved
Sub national disaster management structure are established and fully operational to perform their mandated roles	■	Improved
Non governmental institutions as partners of the Government of Indonesia in community based disaster management have strengthened community reliance	■	Improved
Australia delivers appropriate and effective disaster response and recovery for Indonesia (new objective)	■	n/a
Governance: bureaucratic reform		
Increased capacity of the Ministry of the State Apparatus and Bureaucratic Reform to implement bureaucratic reform in national-level Indonesian ministries and institutions (new objective)	■	n/a

Sectors and objectives	Rating in 2011	Relative to previous year's rating
Governance: decentralisation		
Improved local planning and budgeting process resulting in improved budget structure towards better public service provision and more efficient budget execution (new objective)	■	n/a
Strengthened capacity of government and civil society organisations at national and sub-national levels to formulate, apply, and monitor the implementation of the evidence-based decentralisation policies (new objective)	■	n/a
Strengthened capacity of citizens and civil society organisations to engage in and demand for better service delivery (new objective)	■	n/a
Improved responsiveness and quality of basic services delivery (health and education) at district, sub-district, and service unit levels (new objective)	■	n/a
Improved local planning and budgeting process resulting in improved budget structure towards better public service provision and more efficient budget execution (new objective)	■	n/a
Governance: economic governance		
Improved capacity of core economic institutions for policy development, coordination and implementation	■	Unchanged
Improved capacity for development and supervision of financial institutions and capital markets	■	Improved
Improved capacity to develop and implement trade and investment policy	■	Declined
More efficient management of public finances	■	Unchanged
Improved tax administration	■	Unchanged
Governance: elections		
Improved performance of electoral management bodies in managing and delivering quality elections (local and national)	■	Unchanged
Increased public engagement in Indonesia's elections and systems	■	Unchanged
Law and justice		
Increased capacity in the courts and law enforcement agencies to deliver better quality legal information and services.	■	n/a
Increased capacity in civil society organisations to track legal service provision to improve government delivery of legal information and services	■	n/a
Rural livelihoods and agribusiness		
Improved smallholder agribusiness practices	■	Unchanged
Improved enabling environment for agribusiness that benefits smallholders at the provincial and national level	■	Unchanged
Better functioning agricultural markets as part of value chains	■	Unchanged

ANNEX 2: Quality at Implementation reports in 2011

Initiative	Initiative start date	Initiative end date	FMA9 approval total \$A	Relevance	Effectiveness	Efficiency	Monitoring & evaluation	Sustainability	Gender equality	
Education, scholarships and knowledge sector										
INJ648	Australia's Education Partnership	05/11/2010	30/06/2016	\$500,000,000.00	6	4	3	3	4	3
INH361	Aceh Education Sector Development	01/07/2007	30/06/2012	\$8,460,705.32	5	4	4	4	4	4
INH436	Papua Education Sector Development	01/07/2007	31/12/2012	\$7,037,299.48	5	5	4	4	4	4
INI787	Revitalising Indonesia's Knowledge Sector	10/07/2009	31/12/2012	\$6,241,261.27	5	5	5	5	5	5
INE114	SMERU	29/10/1998	31/03/2013	\$9,449,558.39	6	6	4	4	4	4
INF867	Kang Guru Indonesia (formerly known as KGRE)	01/01/2005	30/04/2012	\$4,974,565.01	4	5	5	4	3	3
INJ859	Building Relation through Intercultural Dialog (BRIDGE) - II	01/04/2011	31/12/2015	\$3,611,000.00	5	5	4	4	5	4
Health sector										
INH251	Australia-Indonesia Partnership for HIV	01/07/2007	31/12/2016	\$100,000,000.00	5	5	5	5	5	5
ING821	AIP MNH Program	17/08/2006	30/06/2013	\$66,393,900.21	5	5	4	4	5	5
INJ509	AIP for Emerging Infectious Diseases Program	01/09/2010	30/06/2014	\$22,000,000.00	5	4	4	4	4	4
INH024	Pandemic Influenza & EID Prevention & Preparedness	20/12/2006	30/06/2012	\$19,258,372.66	5	5	5	4	4	4
INH469	AIP for Health Systems Strengthening (AIP HSS)	10/08/2007	30/06/2013	\$12,089,055.30	6	4	4	4	4	4
INJ124	Health Facilities Reconstruction in West Sumatra	26/10/2009	31/03/2012	\$5,041,461.64	5	5	5	4	5	5
Infrastructure										
ING633	EINRIP (AIPRD Loans)	01/07/2007	30/06/2013	\$291,822,071.00	6	3	3	5	4	4
INH582	Indonesia Infrastructure Initiative (IndII)	01/07/2007	30/06/2015	\$175,642,803.00	5	5	5	5	5	5
INJ149	Water and Sanitation Hibah Phase 2	01/07/2009	30/06/2015	\$120,058,697.57	6	5	4	5	4	4
INJ150	Support for Sewerage Investment Plan	01/07/2009	30/06/2015	\$40,121,451.76	5	4	4	5	4	5
ING406	AIPRD: EINRIP - Implementation, Planning & Support Facility	15/06/2005	30/07/2014	\$32,040,309.71	6	3	3	5	4	4

Initiative	Initiative description	Initiative start date	Initiative end date	FMA9 approval total \$A	Relevance	Effectiveness	Efficiency	Monitoring & evaluation	Sustainability	Gender equality
INI390	WASPOLA Facility	01/07/2008	31/05/2013	\$10,000,078.20	5	5	4	4	5	5
INI391	PAMSIMAS	01/07/2008	31/12/2012	\$39,503,068.74	5	5	4	4	4	4
Social protection and community driven development (PNPM)										
INJ244	Poverty Reduction and Social Protection Support	06/04/2010	31/12/2014	\$57,000,000.00	6	5	5	4	6	4
INI506	National Program for Community Empowerment (PNPM)	01/02/2009	30/06/2014	\$215,000,000.00	6	5	5	5	5	4
Climate change										
INH445	Indonesia-Australia Forest Carbon Partnership	01/07/2007	30/06/2013	\$75,309,132.87	5	3	3	3	3	4
Disaster risk management										
INI422	AUST-INDON Facility for Disaster Reduction	15/10/2008	30/06/2013	\$59,380,862.53	5	4	3	3	4	2
INI576	Building Resilience in Eastern Indonesia	15/06/2009	15/06/2012	\$4,085,368.00	5	5	4	4	4	5
INH545	Enhanced Australian Response	01/07/2007	30/06/2012	\$1,552,368.54	6	5	5	5	4	4
Democratic governance										
INJ122	Australia Indonesia Partnership Decentralization	01/07/2010	30/06/2015	\$70,000,000.00	5	5	4	5	5	5
INJ689	Government Partnership Fund Phase (GPF) II	01/01/2011	30/06/2015	\$50,000,000.00	5	4	4	4	4	3
INH848	AIP for Economic Governance (AIPEG)	01/04/2008	30/06/2015	\$31,328,480.49	5	4	4	4	5	4
ING429	ACCESS Phase 2	01/04/2006	31/12/2013	\$29,611,430.00	5	5	5	5	5	5
INJ632	Australia Indonesia Electoral Support Program	01/01/2011	30/06/2015	\$20,000,000.00	5	4	5	4	4	4
INH521	Indonesia Strengthening Public Procurement Program	01/09/2007	30/06/2012	\$12,459,375.01	5	5	4	5	4	4
INI355	LOGICA 2	01/01/2009	30/06/2012	\$18,000,000.00	5	4	4	3	3	5
INI472	Public Expenditure Analysis Capacity Harmonisation	23/01/2009	30/03/2013	\$3,999,111.38	5	4	3	3	4	3
Law and justice										
INJ137	Australia Indonesia Partnership for Justice	13/08/2009	31/12/2015	\$50,000,000.00	5	4	4	4	4	4

Initiative	Initiative start date	Initiative end date	FMA9 approval total \$A	Relevance	Effectiveness	Efficiency	Monitoring & evaluation	Sustainability	Gender equality
INJ274	Counter-Terrorism Cooperation Fund	11/01/2010	30/06/2013	\$7,300,000.00	4	3	3	3	2
Rural livelihoods and agribusiness									
INJ498	AIP Rural Economic Development Program	26/06/2010	30/06/2017	\$112,000,000.00	5	5	5	4	5
ING363	AIPRD: Aceh PEP (Aceh/Nias)	01/01/2006	30/06/2013	\$6,506,532.19	5	4	4	4	4
Scholarships									
INJ247	Scholarships Jakarta ADS - Intake 2011	01/01/2010	30/06/2018	\$120,426,184.00	5	5	6	5	5
INH899	ADS In-Indonesia Management Program Phase III	01/01/2009	30/06/2012	\$19,220,423.77	5	5	6	5	5

Definitions of rating scale:

Satisfactory (4, 5 and 6)

6 = 6 = Very high quality; needs ongoing management and monitoring only

5 = 5 = Good quality; needs minor work to improve in some areas

4 = 4 = Adequate quality; needs some work to improve

Less than satisfactory (1, 2 and 3)

3 = 3 = Less than adequate quality; needs work to improve in core areas

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

1 = 1 = Very poor quality; needs major overhaul

Criterion

Relevance

Features

The initiative is the most appropriate way to meet high priority goals that Australia shares with its development partners within the given context.

Effectiveness

The initiative is meeting or will meet its objectives, and is managing risk well.

Efficiency

The resources allocated by Australia and its partners are appropriate to the objectives and context, and are achieving the intended outputs.

Monitoring and evaluation

An appropriate system provides sufficient information and is being used to assess progress towards meeting the initiative's objectives.

Sustainability

Significant benefits will endure after Australia's contribution has ceased, with due account given to partner systems, stakeholder ownership and plans for phase out.

Gender equality

The initiative incorporates appropriate and effective strategies to advance gender equality and promote the empowerment of women and girls.

Annex 3: Follow through of 2010 APPR management consequences

Action to be taken in 2011	Status/timeframe
Country program-wide	
Commence new programs in education, elections, justice, decentralisation and emerging infectious diseases	Complete
Finalise designs for health system support, women's leadership, rural livelihoods and the knowledge sector	Complete
Begin analytics and designs on disaster risk mitigation, infrastructure, and a second climate change REDD pilot, and support for the Fiscal Policy Office and scholarships	Complete
Commence detailed planning on the potential expansion of the program including analysis of where further AusAID investments are likely to deliver the greatest returns in poverty alleviation	Complete
Start work on a new country situation analysis	Complete
Establish Policy and Analytical Unit under the lead economist that will strengthen the program's analytical and research capacity and ability to engage in high-level policy dialogue on reform with Indonesia	Complete
Implement mid-term review recommendations, including acquiring and using knowledge to engage in policy reform, better understanding the gender impacts of our program, improving people management and leadership so AusAID can continue to attract and retain high calibre staff, and improving AusAID Jakarta's capacity to monitor and review the quality of the portfolio to improve its effectiveness	Complete
Strengthen portfolio risk management and fraud mitigation approaches	Ongoing effort
Establish more robust management information tools to drive program coherence, consolidation and growth. Restructure of part of the Jakarta operation undertaken to strengthen our quality assurance and design capacity	Ongoing effort
Establish better access to tools and design expertise to assist in quantifying and communicating results and to ensure AusAID's programs can demonstrate clear and quantifiable development impact	Ongoing effort
Articulate the requirement for subsidiary arrangements between Australia and Indonesia: AusAID needs skilled staff with experience in handling these negotiations that can deliver efficiencies and limit the risk of erosion in standards	Ongoing effort
Education (including knowledge sector)	
Secured ongoing high-level technical expertise to enhance the quality of that policy dialogue	Complete. Providing direct advisory support to strengthen sector and program monitoring and evaluation, public financial management, and strategic direction
Ensure AusAID's investments in research and analysis must meet the needs of policy-makers to ensure research findings have an impact	Complete – Australia, together with the European Union, provided support to the multi-donor trust fund for sector research and analysis, the Analytical Capacity Development Program

Action to be taken in 2011	Status/timeframe
<p>Focus efforts on improving MoNE's capacity to monitor, report and follow-up on issues, and address complaints or problems with school construction as they arise</p> <p>Program priorities:</p> <ol style="list-style-type: none"> 1) Advance the implementation of elements of the new education partnership 2) Complete detailed designs for an expansion of the scholarships program and a new knowledge sector program; and a concept paper on future investment options in the education sector 	<p>Complete – AusAID used direct advisory support to strengthen sector and program monitoring and evaluation, public financial management and strategic direction setting</p> <p>Ongoing effort</p>
<p>Health</p> <p>Complete the Health Delivery Strategy by the second half of 2011</p>	<p>Ongoing effort – AusAID Health Sector Plan was not concluded as planned. The new agency results framework will provide the platform for a revised set of health sub-sector outcomes</p>
<p>Infrastructure: transport and connectivity</p> <p>Clarify with Indonesia and the World Bank what is planned for the announced (but as yet unfunded) road preservation fund and what might be possible, including using it for more efficient funding of local government roads</p> <p>AusAID's new adviser remuneration framework will have implications for part of the delivery of assistance on budget reform within the Directorate of General Highways, and some of IndII's other policy and institutional activities within the Ministry of Transport</p> <p>Infrastructure: water and sanitation</p> <p>Share the experiences and lessons on the sustainability of the Hibah model</p> <p>Approach the Ministries of Home Affairs and Finance to help engage heads of districts, remove borrowing impediments, and advance our work on financial management capacity building with urban water authorities</p> <p>Elevate engagement on PAMSIMAS to ensure it makes up lost time in the completion of activities in 400 villages</p> <p>Consider detailed design work to enable IndII's work on urban wastewater investment plans to be taken to the next level</p>	<p>Ongoing effort – road preservation fund legislated but remains unfunded</p> <p>Ongoing effort – while we are confident of maintaining quality of most of the activities, we are giving early consideration on doing without the best advisers and if they can no longer be afforded</p> <p>Ongoing efforts – the second phase of the output-based grants for household water connections will be enhanced promoting full-cost recovery pricing to achieve financial sustainability of water operators. However results will depend on the commitment of individual operators and will vary from one site to another</p> <p>Ongoing efforts – both ministries will help engage with district heads</p> <p>Ongoing efforts – implementation of activities in AusAID-funded villages will be completed on schedule</p> <p>Complete – wastewater investment plans in eight cities—Batam, Bandar Lampung, Surabaya, Bogor, Palembang, Pekanbaru and Makassar—were completed by June 2011</p>
<p>Social protection and community driven development (PNPM)</p> <p>Participate in policy dialogue and key activities such as improving targeting mechanisms of PNPM</p>	<p>On track and ongoing</p>

Action to be taken in 2011	Status/timeframe
At the program level, monitor and approve progressive scale up of large pilots in PNPM	On track and ongoing. PNPM Generasi has scaled up to 3693 villages across eight provinces (2012) and RLF pilot is now working in 507 sub districts across four provinces
Establish management structure and governance of PRSF with AusAID as a constituent. Assess the management, operational and organisational systems and structures of TNP2K, focusing on the PRSF supported positions and processes, and make recommendations	The former is complete, the review is ongoing
Expand networks to source suitable candidates for key working group positions	Complete
Climate change	
Prepare whole-of-government Indonesia program strategy for climate change	No longer relevant – a more flexible ‘roadmap’ which sets directions to 2015–16 is on track to be completed by July 2012
Assist Indonesia to achieve its mitigation targets, adapt to the impacts of climate change and pursue low carbon growth as a likely future focus of the program	Ongoing efforts – the sector roadmap will assist in setting broad directions to 2015–16
With delays in the international context and in the domestic implementation of REDD+, a risk remains if Australian funding is not extended beyond the current timeline to 2012–13, when results will likely remain nascent	Complete – AusAID and DCCEE officials gave in-principle agreement in November 2011 to an extension of the IAFCP to mid-2016
The REDD+ partnership will work to improve the cohesion of donor support for climate change, including aligning support for REDD+	Complete – AusAID and the IAFCP office are now holding regular meetings with Norway and UKP4 to better coordinate our work on REDD+
Put greater effort into documenting lessons learnt from REDD+ and implement a proactive communication strategy	On track and ongoing
Disaster risk management	
Focus AIFDR in two provinces in 2011	Complete – AIFDR is now implementing comprehensive programs in five provinces. This includes links to other AusAID programs (such as AIPD and ACCESS)
Complete AIFDR mid-term evaluation in September 2011	Complete
Governance: elections	
Approve procurement method and funding of the proposed delivery partner so the election program is mobilised in 2011	Complete – program mobilised in February 2011
Democratic Governance team to closely monitor the progress of electoral reform and regularly review and update the risk management framework	Complete – the Asia Foundation has been engaged with a proven track record for managing risk. Team risk register has been updated monthly and program implementation risk register is being finalised
Finalise independent completion review that examines the transition program and informs the long-term program	Completed in July 2011
Governance: economic governance	

Action to be taken in 2011	Status/timeframe
Refocus GPF, AIPEG and seek future procurement programming on areas of emerging genuine need, impact, traction and poverty/development significance	On track and to be completed when AIPEG Phase II commences in December 2012
Explore with FPO, Treasury and World Bank how to reshape, resource and support SEAMIE, including through other Australian programming, to become the pre-eminent source of economic advice and analysis for the Indonesian Government	Complete
Better align our work in the area of tax with the needs of the new Director General and work with the agency to manage risks around communication of the agency's ongoing anti-fraud program	Ongoing – coordinated with other donors more effectively
Governance: decentralisation	
A robust communication strategy and a plan to ensure all stakeholders are needed, both at national and sub-national level	Ongoing efforts – a number of high-level events have taken place creating stronger profile of AusAID's involvement in Indonesia's decentralisation both at national and sub-national level
Effective instruments and approaches are shared amongst decentralisation programs for broader application where relevant	Ongoing efforts – each program team has developed an inventory of key products for sharing across initiatives. Common results framework is ready to be implemented in Aceh
A strong national level engagement strategy needs to be developed focusing on selected strategic priorities of the three key ministries managing Indonesia's decentralisation—Ministry of Home Affairs, BAPPENAS and Ministry of Finance—in the areas of political and administrative decentralisation, fiscal decentralisation and public finance management, and public service reforms	Ongoing efforts – we have managed to broaden our engagement with Ministry of Home Affairs, Ministry of Finance and BAPPENAS at higher level (director general and deputy minister level). Key preparatory works were undertaken to establish an inter-ministerial secretariat for fiscal decentralisation and PFM
Law and justice	
Introduce a new justice program director to ensure the program/model works to strengthen AusAID engagement with stakeholders and enables a better understanding of the political dynamics in the justice sector to inform programming and manage risks	Complete
Mobilise new justice program in 2011	Complete
Focus programming in 2011 on continued support to stakeholders under the transition program while undertaking a comprehensive planning process by the end of the year	Complete
Careful and strategic engagement of stakeholders, both in Indonesia and Australia, is required to manage expectations	Completed
Rural livelihood and agribusiness	
National level partnerships for policy engagement and support to rural program delivery established	Complete – strong partnerships established with Ministry of Agriculture and BAPPENAS, and under development with Ministry of Home Affairs
Develop and implement a rural development program to increase farmer competitiveness and net incomes by enhancing agriculture market systems. Management arrangements to be integrated with the Australia-Indonesia Partnership for Decentralisation	Complete – \$112 million Australia-Indonesia Partnership for Rural Economic Development approved in November 2011, targeting a 30 per cent increase in incomes for 1 million farmers by 2022

Action to be taken in 2011	Status/timeframe
Pilot an on-granting mechanism and effective farmer extension and agribusiness technical assistance	Ongoing efforts – despite strong ownership, complex Indonesian administrative systems have meant slow progress on the on-granting mechanism. Farmer extension activities are effective. National government has requested expansion of the program next year

Annex 4: List of abbreviations

Abbreviation	
A4DES	Aid for Development Effectiveness Secretariat
ACCESS 2	Australia Community Development and Civil Society Strengthening Scheme Phase 2
ACDP	Analytical Capacity Development Program
ACIAR	Australia's Centre for International Agriculture Research
ADS	Australian Development Scholarship
AGO	Attorney-General's Office
AIFDR	Australia-Indonesia Partnership Facility for Disaster Reduction
AIPD	Australia-Indonesia Partnership for Decentralisation
AIPEG	Australia-Indonesia Partnership for Economic Governance Facility
AIPHIV	Australia-Indonesia Partnership for HIV
AIPJ	Australia-Indonesia Partnership for Justice
AIPMNH	Australia-Indonesia Partnership for Maternal and Neonatal Health
ANTARA	Australia Nusa Tenggara Assistance for Regional Autonomy Program
AUSTRAC	Australian Transaction Reports and Analysis Centre
BAPPENAS	<i>Badan Perencanaan Pembangunan Nasional</i> , the National Development Planning Agency
BLK	<i>Badan Pengawas Pasar Modal and Lembaga Keuangan</i> , capital market and financial institutions supervisory agency
BNPB	<i>Badan Nasional Penanggulangan Bencana</i> , National Coordinating Agency for Disaster
BOS	<i>Bantuan Operasional Sekolah</i> , the School Operational Assistance Grants
BPK	<i>Badan Pemeriksa Keuangan</i> , Financial Audit Agency
CAPF	The Australian Government's Comprehensive Aid Policy Framework 2012-2016
CBDRM	Community-based disaster risk management
CBOs	Community based organisations
CHAI	Clinton Foundation Health Access Initiative
CPDA	Consolidated Peaceful Development in Aceh
DCCEE	Australia's Department of Climate Change and Energy Efficiency
DFAT	Department of Foreign Affairs and Trade
DGH	Directorate General of Highways
DIAC	Department for Immigration and Citizenship
ECBP	Evaluation Capacity Building Program
EID	Emerging Infectious Diseases Initiative
EINRIP	Eastern Indonesia National Road Improvement Program
FPO	Fiscal Policy Office
GDP	Gross Domestic Products
GPD	Governance Partnership Development Fund
GPF	Government Partnerships Fund
HCPI	HIV Cooperation Program for Indonesia
IAFCP	Indonesia-Australia Forest Carbon Partnership
ICCTF	Indonesia Climate Change Trust Fund
INCAS	Indonesia's National Carbon Accounting System
IndII	Indonesia Infrastructure Initiative
LAPAN	National Space Agency

Abbreviation	
LKPP	Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah, National Procurement Policy Agency
LOGICA 2	Local Governance and Infrastructure for Communities in Aceh Program Phase 2
Madrasah	Islamic schools
MENKOKESRA	Coordinating Ministry for Social Welfare
MKPP+	Matriks Koordinasi Perencanaan dan Penganggaran, the tool for consolidating documents related to planning and budgeting
MoEC	Ministry of Education and Culture
MoF	Ministry of Finance
MoH	Ministry of Health
MoHA	Ministry of Home Affairs
MoRA	Ministry of Religious Affairs
MoT	Ministry of Transport
MP3EI	The National Economic Master Plan
NTB	The Indonesia Province of West Nusa Tenggara
NTT	The Indonesia Province of East Nusa Tenggara
ODA	Official development assistance
OJK	<i>Otoritas Jasa Keuangan</i> , financial services authority
PAMSIMAS	Third Water Supply and Sanitation for Low Income Communities Project (WSLIC III)
PDAM	Perusahaan Daerah Air Minum, local water utility
PEA	Public expenditure analysis
PEACH	Public expenditure analysis and capacity enhancement
PEACH	Public expenditure analysis capacity harmonisation
PEKKA	Women's civil society organisation
PFM	Public financial management
PMD	Ministry of Home Affairs Directorate General for Rural Community Empowerment
PMP	AusAID's Indonesia Program Management Plan
PNPM	<i>Program Nasional Pemberdayaan Masyarakat</i> national program for community empowerment
PNPM GENERASI	PNPM's poverty reduction sub program to improve health and education
PPATK	<i>Pusat Pelaporan dan Analisis Transaksi Keuangan</i> , financial transactions reports and analysis centre
PRSF	Poverty Reduction Support Facility
PUSKESMAS	Pusat Kesehatan Masyarakat, community health centres
QAIs	AusAID's Annual Quality at Implementation reports
RAN-GRK	National Action Plan for Greenhouse Gas Emission Reduction
REDD+	Reduced Emissions from Deforestation and Degradation
Renstra	Indonesia Government Strategic Plan
RLF	Revolving loan fund
RPJMA	<i>Rencana Pembangunan Jangka Menengah Aceh</i> , the province of Aceh's medium-term development plan
RPJPA	<i>Rencana Pembangunan Jangka Panjang Aceh</i> , the province of Aceh's long-term development plan
SEAMIE	Support for Enhanced Analysis on Indonesia's Economy Initiative
SEDIA	Support for Education Sector Development in Aceh
SEMEFPA	World Bank's Support for Enhanced Macroeconomic and Fiscal Policy Analysis
STRANAS	National Anti-Corruption Strategy

Abbreviation

TNP2K	The National Team for Accelerating Poverty Reduction
UKP4	The Presidential Working Unit for Supervision and Control of Development
UP4B	Accelerating Development in Papua and West Papua Provinces
USAID IUWASH	Indonesia Urban Water, Sanitation and Hygiene Program of USAID
Waspola	Water and Sanitation Policy and Action Planning Project (AusAID)
Watsan	Water and sanitation
YMTM	Yayasan Mitra Tani Mandiri – a non-government organisation
