



Australian Government

Department of Foreign Affairs and Trade

Aid Program Performance Report 2014-15

Indonesia

November 2015

Key Messages

The objective of this report is to reflect on what we've achieved and learned over the last year drawing on our own monitoring, independent evaluations and management discussions on cross-program achievements and challenges.

2014-15 was a year of transition for the program as we laid the groundwork for the new priorities outlined in the recently released Aid Investment Plan while implementing a budget cut of approximately 40 per cent. This year's APPR reports against the objectives outlined in the Aid Investment Plan, noting efforts to shape our investments and reporting in line with the new strategy and budget are works in progress.

Indonesia has a new President, Joko Widodo, with new policy priorities. Australia's assistance is delivering results that align with Indonesian Government priorities. For example Australia has:

- Helped to address Indonesia's critical infrastructure constraints, improving project design and with a direct contribution to the construction, rehabilitation or maintenance of 1,115 km of road;
- Made a significant contribution to the reduction in maternal deaths in Nusa Tenggara Timur, which were 50 per cent lower in 2014 than in 2009;
- Helped the National Team for Acceleration of Poverty Reduction improve the quality and reach of Indonesia's social protection system, which disburses \$6.6 billion in assistance to the poorest 25 per cent of the population; and
- Completed an investment climate survey for Indonesia's Investment Coordination Board to inform future reform efforts and improve the ease of doing business in Indonesia.

Through our work in 2014-15 we are well placed to transition our support away from a traditional donor-recipient relationship to an economic partnership in line with Indonesia's and Australia's development and bilateral priorities.

Context

Indonesia's economic growth in the past decade has led to significant progress in several development indicators but has also exposed areas requiring attention. Indonesia is the sixteenth largest economy globally and projected to be in the top ten by 2030. Growth remains high compared with other G20 and ASEAN members, although in recent years it has slowed from above six per cent to below five per cent. It is the largest economy in South-East Asia and accounts for 38 per cent of ASEAN's combined GDP.

Indonesia is now a middle-income country but approximately 100 million Indonesians, or 40 per cent of the population, still live on less than US\$2 per day. Poverty overall is decreasing but the rate at which this is happening is slowing. This is in part due to growing inequality between Indonesia's more prosperous, urbanised and developed regions in its west and its less developed, rural, poorer regions in the east. The west-east disparity is further exacerbated by the higher natural disaster risks faced by eastern Indonesian provinces which are vulnerable to changing climate patterns, such as the current El Niño system.

Indonesia has a young population, with approximately 44 per cent of its 254 million people aged below 25. Continuing economic growth will in part depend on Indonesia's ability to capitalise on this 'demographic dividend' by providing quality education, access to health services and productive job opportunities for these millions of young Indonesians.

Indonesia has made progress in eradicating extreme hunger and poverty, achieving universal primary education, reducing child mortality, promoting gender equality and empowering women. It has struggled, however, in other areas including maternal health, nutrition, combatting HIV/AIDS, malaria and other diseases, and environmental sustainability.

The Government of Indonesia faces challenges improving its budget execution, increasing investment in infrastructure, and improving the provision of quality education and health services. Improvements in these areas would have enduring impacts on competitiveness through increased productivity, human capital development, access to employment and social mobility.

In October 2014, Indonesia elected Joko Widodo as President. In the short-term, the change in administration led to some uncertainty and policy disruption. It took many months for senior government appointments to be finalised and this has affected the program. Over the longer-term, reform prospects could increase as the Widodo administration works toward its stated commitment to addressing many of the issues listed above. The President's 'nine priorities agenda' or *nawa cita* includes improving productivity and competitiveness; restoring public confidence in democratic institutions through effective, democratic and reliable governance; improving education quality and increasing social welfare and health outcomes.

In January 2015, Indonesia released its new National Medium-Term Development Plan 2015-19 (RPJMN). The RPJMN listed nine priority areas including good governance, village and regional development, and improving productivity. Regional disparity between the east and west of Indonesia was also identified in the RPJMN as a primary issue for development. The RPJMN document is long (over 4,000 pages) and delivery on many of the outcomes will be challenging.

DFAT has developed the Aid Investment Plan (AIP) for Indonesia 2015/16-18/19 to guide the aid program in Indonesia for the next four years. The AIP closely aligns with the President's development priorities. The overarching goal of Australia's development program will be to partner with Indonesia to boost inclusive growth and productive jobs by improving Indonesia's competitiveness through improving the application of Indonesia's own resources.

The focus of the program will continue to shift from service provision in a donor-recipient relationship to a new economic partnership, whereby investments have a catalytic effect on the quality of Indonesia's own efforts to improve infrastructure, economic governance, human development and social policy. Underpinning this work will be a commitment to support aid-for-trade and focus on private sector development, women's empowerment and gender equality.

This links to the Sustainable Development Goals (SDGs), the successor to the Millennium Development Goals, which will shape the global development agenda out until 2030. The SDGs recognise that Official Development Assistance (ODA) will continue to play an important role in lifting people out of poverty, but other sources of finance—including domestic resources and private investment—are becoming increasingly important.

Australia's support will work across three pillars: effective economic institutions and infrastructure; human development for a productive and healthy society, including education and health; and an inclusive society through effective governance, including women's political and economic empowerment, and social protection.

The Australian Government announced proposed reductions to the aid budget in December 2014 and in May 2015, a reduction of approximately 40 per cent was made to the budget allocation for the Indonesian aid program. The 2014-15 financial year presented program and staffing uncertainty.

The program has continued to perform well regardless and staff and delivery partners have been flexible in a challenging and changing context. The program had already begun to revise its approach to delivering aid in Indonesia to focus more on an economic partnership through efforts such as leveraging Multilateral Development Bank (MDB) financing and moving away from physical construction towards policy advice.

In 2014-15, Australia was the largest bilateral grant aid donor to Indonesia and provided an estimated \$627.7 million in ODA. Japan, the United States, Germany and the MDBs were other substantial donors. \$22.4 million was administered by other Australian Government Departments.

Expenditure

Table 1 Total ODA Expenditure in FY 2014-15

Objective	A\$ million	% of total ODA
<i>Bilateral</i>		
Objective 1: Effective economic institutions and infrastructure	176.9	28.2
Infrastructure	102.8	16.4
EINRIP loan	28.1	4.5
Economic Governance	27.2	4.3
Rural Development	18.8	3
Objective 2: Human development for a productive and healthy society	200.1	31.9
Education and Scholarships	149.7	23.8
Health*	50.3	8
Objective 3: An inclusive society through effective governance	160.1	25.5
Governance and Social Development	122.7	19.5
Democratic Governance	24.2	3.9
Disaster Risk Mitigation	13.2	2.1
Program support	14.8	2.4
Sub-Total Bilateral	551.9	88
Regional and Global	53.4	8.5
Other Government Departments	22.4	3.6
Total ODA Expenditure	627.7	100

*includes debt for health swap

Progress towards Objectives

The Australia-Indonesia Partnership Country Strategy ended in December 2014. This year's APPR reports against the AIP objectives. This is appropriate as the program has been in a state of transition for the last year as it laid the groundwork for the new priorities detailed in the AIP. As a consequence we report on three high-level objectives, as opposed to the 28 objectives reported on in last year's report. Reporting against these three objectives is an aggregation of investment-level results with many investments contributing to more than one objective, reflecting the multifactorial nature of our investments. For this transition year, the assessments made against each objective are a best estimate given the program isn't yet fully aligned to report against the new objectives. The 2015-16 APPR will draw on performance information generated from a new Performance Assessment Framework (PAF) and will provide a more accurate assessment of progress.

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

Objective	Previous Rating	Current Rating
Effective economic institutions and infrastructure	n/a	Green
Human development for a productive and healthy society	n/a	Green
An inclusive society through effective governance	n/a	Green

Note:

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

 Amber. Progress is somewhat less than expected at this stage of implementation and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

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

Reporting period:

Objective 1: Effective economic institutions and infrastructure

Progress against this objective is rated green. Most of our investments have progressed as expected over the last year. While there have been some constraints and delays, these are unlikely to have a lasting impact. Of particular note 464,034 people in rural and peri-urban areas had access to community water and sanitation services (over 120,000 more than the benchmark); the RPJMN had an improved performance-based planning and budget framework; and all of Eastern Indonesia National Road Improvement Program's projects are on track for substantive completion by the loan closing date of 30 September 2015.

Economic Governance

Indonesia has committed to ambitious economic targets (a table of macro targets is included under mutual obligations) but Indonesia's prospects for securing growth at past levels are increasingly uncertain.

By establishing and strengthening government-to-government partnerships through the **Government Partnerships Fund (GPF)** Australia continued to support Indonesia's priority economic reforms. In 2014-15, through the Australian Treasury, Australia supported strengthened tax collection, administration and policy. The Australian Transaction Reports and Analysis Centre supported the implementation of Indonesia's Prevention and Eradication of Money Laundering law to increase Indonesia's attractiveness for foreign investment. Work to develop a National Risk Assessment continued which will underpin future anti-money laundering and counter-terrorism financing reforms.

The Australian Securities and Investment Commission's assistance to the Financial Services Authority is on track to help develop its capacity related to policy development and risk-based supervision on market conduct. Progress on this assistance will help Indonesia further develop an internationally credible financial market to attract investment.

Inclusive policy, planning and budgeting is being realised through Australia's support for the development of Indonesia's performance management systems within its planning and budgeting framework. The Australian Bureau of Statistics helped to improve the formulation of national accounts and government financial statistics. The Department of Finance provided assistance to implement performance-based budgeting for the 2016 budget. However, progress on implementing improved budgeting practices relating to the medium term expenditure framework (including reviewing baseline funding) has been more challenging.

Reform of the public service is a priority area of the Indonesian government. The Australian Public Service Commission (APSC) has made a strong contribution to this area and there is ongoing high-level engagement with counterpart Indonesian agencies. Key recent achievements include the completion of a further two Capability Reviews (comprehensive assessments of partner agencies' abilities to meet future demands on their organisations), and the provision of strategic advice and operational support to the newly established Civil Service Commission. APSC also provided guidance on the development of regulations supporting the Civil Service Law, and implementing selection processes for the Senior Executive Service and in merit based recruitment.

The **Australia Indonesia Partnership on Economic Governance** (AIPEG), which works closely with GPF, provided international expertise to support Indonesian economic agencies promote the growth and stability of the Indonesian economy. AIPEG conducted a number of collaborative studies with Indonesian partners that improved counterparts' understanding of the constraints on investment and export growth. These highlighted companies' concerns about the investment climate, the negative impact of non-tariff measures on trade performance, the sensitivity of exports and imports to the exchange rate and the importance of global value chains for export development.

Engaging the private sector

Involving the private sector in the development and implementation of policy is a challenge for Indonesian government agencies. To address this, AIPEG has helped establish the Indonesia Services Dialogue (ISD) which brings together senior Indonesian policymakers and private sector representatives. Going forward the ISD will provide evidence-based discussion and potential solutions on critical issues in the services sector.

In other areas, AIPEG has successfully promoted a risk-based approach to auditing by Indonesia's taxation authority. Previously excessive attention and resources had been devoted to auditing low-risk value added tax refunds. AIPEG's work introducing and promoting a compliance risk management framework led to a Ministerial Decree and Circular in early 2015, freeing up the auditor's time to focus on high-risk cases and assigning lower-risk cases to other staff. This reform is timely as it will allow scrutiny of the results of the small taxpayers amnesty, with a large number of submissions expected shortly before the amnesty expires at the end of 2015.

Improving the business environment is a priority for Indonesia. AIPEG made several contributions to this goal and achieved the performance benchmark of completing an investment climate survey to inform the Indonesian Investment Coordination Board's future reform efforts. AIPEG identified bottlenecks in Indonesia's licensing system and helped to introduce a performance management system at the Ministry of Trade's one-stop shop where foreign companies receive their licenses. This led to faster customer service. AIPEG has also helped to mainstream competition policy in the national planning process through analysis and adviser support. This has helped to strengthen institutional linkages between the Indonesian planning agency and business competition regulator.

To highlight issues on financial sector stability, AIPEG supported financial crisis simulations which demonstrated to Indonesian policy makers the challenges Indonesia faces in responding to financial sector problems. This triggered new urgency in developing financial safety net legislation and Australian support guided the legislative drafting.

Gender inclusion has been a key consideration in the provision of AIPEG and GPF activities. In 2014-15, AIPEG commissioned a study into gender inequality in the labour market in Indonesia to provide an evidence base to Indonesian policy makers on labour force participation

constraints and gender wage gaps. The findings and recommendations of the report will be finalised in 2015-16.

Efforts were made to increase the number and participation of women in workshops and other activities. However, the higher proportion of male staff in Indonesian economic agencies has made this challenging. One encouraging sign is that many of the key Indonesian government counterparts for AIPEG and GPF are women with strong leadership qualities.

Infrastructure

A 2014 report by the World Bank estimated that Indonesia has lost at least one per cent in economic growth each year over the past decade due to low investment in infrastructure. Improvements in this area require increased and better quality of spending, strengthened project selection and preparation, and partnerships between the public and private sector. DFAT's investments in the infrastructure and water and sanitation sectors over the last year have continued to progress well, albeit with some delays. A number of investments are nearing completion and in 2014-15 we commenced a strategic shift away from direct delivery of physical infrastructure projects towards working with Indonesia to achieve better results from its own large investments.

The **Eastern Indonesia National Roads Improvement Program** (EINRIP) is set to achieve its expected outcomes, demonstrating reforms in the areas of road design, construction supervision and project management. Both the Indonesian Vice President and Minister for Public Works and Housing hold the program in high regard.

Seventeen of the twenty commissioned packages under EINRIP have now reached substantive completion and all EINRIP road projects are on track for substantive completion by the loan closing date of 30 September 2015. Project monitoring continued to show gradual improvements in living standards, with incomes reported as higher, and standards of nutrition improving. Local government statistics confirm a continuing small reduction in the numbers of poor and very poor people in sample areas.

In 2014-15, Australia continued to support the Government of Indonesia to address constraints to infrastructure investments, through the **Indonesia Infrastructure Initiative's** (IndII) technical assistance and grants programs. With the majority of IndII's budget now allocated, the focus moved from project development and approvals to implementation and performance evaluation.

Under IndII, the **Provincial Road Improvement and Maintenance** program's early delays and lower-than-expected Government of Indonesia budget allocations were resolved. Progress was encouraging, with 2,129 km of roads maintained in 2014-15 (doubling the rate of implementation from the previous year). Of this, 844 km is directly attributable to Australia's contribution. The program ramped up its use of performance incentives to promote good governance and improve Indonesia's maintenance of provincial roads, although the impacts of greater maintenance efforts by provincial governments have yet to be observed. Australia's

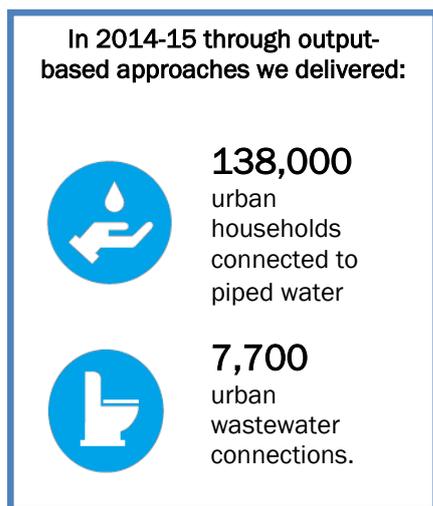
International award



EINRIP road in Eastern Indonesia. Photo: EINRIP
In 2015, EINRIP won the Global Road Achievement Award for Program Management by the International Road Federation (IRF). The IRF issues annual awards to recognise road industry projects that demonstrate excellence and innovation.

contribution to the total kilometres of roads rehabilitated or maintained (through a number of programs) was 1,115 km, compared with a performance benchmark of 1,300 km.

Indll also provided technical assistance to both national and provincial levels of government. For example in 2015, on-going support provided to Jakarta's main Bus Rapid Transit system 'TransJakarta', helped corporatize the previously city government-run organisation. Improvements to TransJakarta's efficiency, its ticketing systems and its overall cost recovery model were made to help increase ridership. Support for a new bus depot and busway control centre was also provided.



The **Water and Sanitation Hibah** program and the **Australia Indonesia Infrastructure Grants for Municipal Sanitation (sAIIIG)** program continued to support the delivery of essential water and sanitation services for poor Indonesians. The programs' results (see box) were just short of target. An important additional impact is that Australia's policy dialogue and support to the Indonesian Ministry of National Development Planning (Bappenas) has led to the Indonesian Government increasing its commitment to the **Water and Sanitation Hibah** program. In 2015 the Government allocated \$50m within its own budget to connect 22,000 additional households to piped water with plans to extend the program to sanitation in 2016.

Australian support is helping to increase the effectiveness of approximately \$481 million in Government of Indonesia and World Bank financing to implement **PAMSIMAS**, an Indonesian Government program aimed at increasing access of low-income rural and peri-urban populations to improved water and sanitation facilities. In 2014-15, Australia's contribution enabled around 370,000 people to receive improved access to safe water and 90,000 people to receive improved access to basic sanitation. This exceeded expected results.

Australia also partnered with the World Bank and the Asian Development Bank (ADB) to provide policy support. For example recommendations from World Bank analytical work to reduce container dwell times at Jakarta's main port led to the establishment of a taskforce to address impediments to container clearance processes.

DFAT's collaboration with the Department of Infrastructure and Regional Development continued through its work on **the Indonesia Transport Safety Assistance Package** and the **Australian Maritime Safety Authority Search and Rescue Project**. The current phase of assistance drew to a close and an independent review was undertaken in 2015. The review found the programs had been successful in providing support that was valued by participating Indonesian agencies, and resulted in improved safety practices.

Rural livelihoods and Agribusiness

Nearly two thirds of Indonesia's poor live in rural areas. In 2014-15, **the Australia-Indonesia Partnership for Rural Development (AIP-Rural)** experienced some early constraints including challenges in establishing administrative systems and in recruiting staff with appropriate market development skills. An independent Strategic Review Panel oversees the program. In 2014-15 it noted that achieving the target of a 30 per cent increase in incomes for 300,000 smallholder farmers in Eastern Indonesia by 2018 would require substantial increases in take-

up of new technologies. Subsequent review panel reports have found the program to be on track to meet its targets.

AIP-Rural aligns with Indonesia's Master Plan for Acceleration and Expansion of Poverty Reduction and with the RPJMN in key areas such as food security, maritime economic development (including fisheries) and a focus on Eastern Indonesia. Indonesia's subsidy policies, however, created opportunities in some sectors (e.g. in seeds) and challenges in others (e.g. fertiliser).

Private sector engagement

Investment from the private sector in PRISMA activities reached approximately \$180,000. Under this program DFAT has partnerships with several companies to:

- Increase access to hybrid maize seed suitable for dryland farming in Eastern Indonesia
- Demonstrate to 30,000 mango farmers in East Java how new techniques to produce off-season fruit results in higher annual incomes
- Introduce organic fertilisers to poor farmers in East Java.

Our Indonesian counterpart agency, Bappenas, is already satisfied with AIP-Rural to date, particularly its innovative approach to poverty reduction. Deeper engagement will build Indonesia's understanding of good market practices and increase our capacity to influence agricultural policy. The program's market development approach is relevant in the current economic policy context in Indonesia and is contributing to a solid evidence base for dialogue with Government officials on open markets and increased competitiveness. Program results contributed to transitioning Australia's relationship with Indonesia to an economic partnership by identifying market constraints and stimulating the private sector in key agricultural commodities such as maize, chillies, mangoes and pigs.

After a slow start and some initial obstacles, AIP-Rural's largest component, the **Promoting Rural Income through Support for Markets in Agriculture** (PRISMA) program made good progress with a portfolio of activities in 15 agricultural commodities of importance to smallholder farmers. Three activities under PRISMA recorded impact figures contributing to increased incomes for more than 4,000 smallholder farmers. Pipeline development is strong with 23 agreements with private sector partners signed (with a projected outreach of 66,000 farmers) and a further 21 interventions in design. Other AIP-Rural component programs have only recently commenced or are yet to commence operations.

In 2014-15, PRISMA conducted field research on gender in 13 sectors. The findings were used to modify interventions by targeting women in the promotion of better and more innovative agricultural products. This data is also informing locations for capacity building and training to ensure access for women. PRISMA successfully mainstreamed gender in intervention analysis, implementation and monitoring.

Another element of our support to rural livelihoods was through the successful **Nusa Tenggara Timur Agroforestry** project which ended in June 2015. By the end of the program, it had helped increase the incomes of 21,160 households (an estimated 93,012 people including 47,436 women), exceeding its program target of 13,000 households (65,000 people).

Australia is supporting improvements to Indonesia's cattle sector through the **Indonesia Australia Partnership of Food Security in the Red Meat and Cattle Sector**. The Partnership is jointly managed with the Australian Department of Agriculture and the Indonesia Investment Coordination Board. The Partnership met for the second time in August 2014, and agreed to

focus on three priority areas of the supply chain; breeding, processing and logistics. The Partnership was unable to meet in the first half of 2015, which slowed momentum slightly. However, the projects and activities agreed in 2014 were implemented successfully, including a Skills Development Program, which brought 50 Indonesian cattle producers, abattoir workers and Ministry of Agriculture employees to Australia to study six-week short courses in animal husbandry, beef processing and agricultural policy development respectively.

Objective 2: Human development for a productive and healthy society

This objective is rated green; our education partnership has performed well in its penultimate year and has begun the transition to focus on the quality of education outcomes. Although we fell short of the performance benchmarks for health, our health portfolio has performed well in the last year. The performance benchmarks for health were set prior to budget cuts and our reduced funding to two health programs resulted in the benchmarks not being met. A more realistic benchmark will be developed as part of the Performance Assessment Framework.

Education

Although Indonesia has invested heavily in the sector in recent years and student enrolment has increased substantially, there is little evidence that education outcomes have improved. Indonesia scores poorly on PISA (Program for International Student Assessment) indicators and the new Minister for Culture and Primary and Secondary Education has stated that Indonesia's education system is in a "state of emergency". With this in mind, throughout 2014-15, we further advanced a reorientation in the focus of the program to better reflect the Indonesian Government's priorities; reducing investment in education access and increasing support for programs that improve education quality. With the increased political commitment we have gained traction on the critical issue of improved learning outcomes.

Implementation of the **Professional Development for Education Personnel Program** (ProDEP) began in July 2014 with 22,949 officials trained (partially achieving the performance benchmark of 32,500 officials) and a reported "satisfaction" rate of 90 per cent among participants. Training in the New Schools Induction Program was provided for 2,726 officials at 546 schools. We are currently considering a range of measures in order to improve the effectiveness and sustainability of ProDEP, including ensuring that courses better reflect the requirements of individual principals; working with the Ministry of Religious Affairs (MoRa) in ProDEP management; and determining how ProDEP will be delivered and financed after the Education Partnership concludes.

We supported the construction or expansion of 243 schools, providing 1,134 classrooms and an estimated 40,824 student places (exceeding the performance benchmark of 39,000 places) to help address the high student dropout rate in the transition from primary to junior secondary school. This increased the total number of schools constructed or expanded to 937 schools since the start of the program in 2011. Reflecting the shift in the focus of the program towards education quality, we reduced the target number of total new schools from 2,000 to 1,150 and the number of new school places to 160,000. To date we have not been able to assess the impact on enrolment and drop-out rates, however this will be the focus of an upcoming evaluation.

We continued to support improved management and performance of madrasah to assist in closing the quality gap between public schools and madrasah. In 2014-15, 983 madrasah received a grant to finance their plans to improve performance against National Accreditation Standards. 519 Australian-supported madrasah were assessed by the national accreditation

agency and almost 90 per cent improved their accreditation level. Program monitoring indicates that as the quality of madrasah increases, community support, including financial support and enrolments, has also increased. Despite only supporting a small proportion of Indonesia's approximately 74,000 madrasah, the program has the potential to influence wide scale change. MoRa is currently adopting some of the changes modelled through the program, such as the accreditation operation manual, into the regulations and processes that apply to all madrasah.

The **Analytical and Capacity Development Partnership (ACDP)** has continued to contribute to sector-wide policy research and dialogue. In 2014-15, the program delivered a series of background papers to Bappenas to inform the RPJMN while the ACDP also supported the Ministry of Education & Culture and MoRa to develop their strategic plans for the five year period from 2015. The ACDP also developed a strategic education plan for the Papuan Provinces, and delivered the largest study of teacher absenteeism conducted in the world to date.

There is evidence that the knowledge generated through Australia's investment in ACDP is informing the development of better education policies. Indonesia's medium-term development plan and education sector plans are key examples. However a review of the program undertaken in 2014 found that ACDP should conduct more effective dissemination of research findings. This would optimise its prospects of positively influencing sector policies, regulations, plans and budgets. This will be a focus for the program in 2015-16.

Ongoing strategic engagement and discussion around directions with implementing partners continued to increase program effectiveness and impact. Relationships between DFAT and our implementing partners have been underpinned by close collaboration and effective communication. This has contributed to greater efficiency and improved prospects for program effectiveness.

Australia Awards

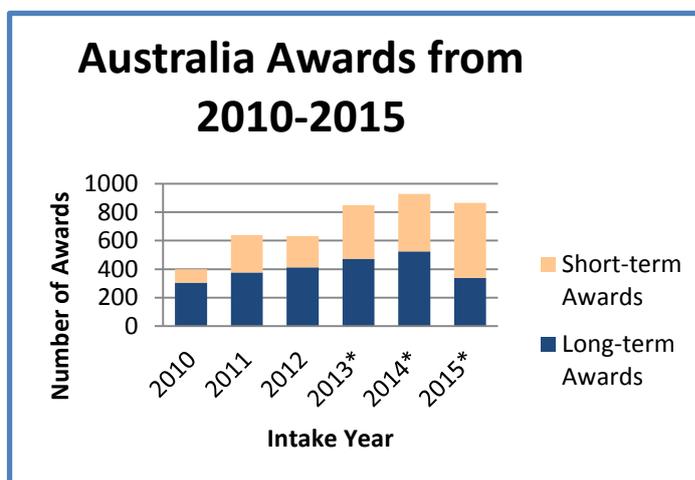
Australia Awards are prestigious international scholarships and fellowships funded by the Australian aid program. They promote knowledge and education links, and through returning alumni a new generation of leaders is building strong links to Australia.

In 2014-15, 340 long course Australia Awards were granted, including four Allison Sudradjat Prize Awards, and 15 Australia Awards Leadership Program Awards. The Hadi Soesastro Prize was awarded for the second time to two Australia Awards Scholarship recipients from Indonesia undertaking doctorates in Australia. Australia Awards in Indonesia continued to achieve gender parity in 2014-15 with 53 per cent of the Awards going to women. A number of additional activities were piloted in 2014-15 to increase the number of awardees from regional Indonesia. For example, English Language Training Assistance was successfully held in Kupang, Lombok, and Jayapura, where 90 potential scholarship applicants were chosen to undertake a three-month training program to bring their language standards up to Australia Awards entry requirements. From this group, 91 per cent of participants met the English language requirement and 95 per cent have applied for an Australia Awards Scholarship in the 2016 intake. We also piloted postgraduate "split-site" scholarships which enabled 27 awardees to complete part of their study in Indonesia and part in Australia. The split-site awards are more cost effective than long-term awards as students spend only one year in Australia and are funded by the Indonesian Government for their year in Indonesia.

DFAT also commenced implementation of a number of "on award" enrichment activities designed to assist awardees to get the most out of their scholarships and build enduring

connections with Australia. The Bringing Australian Government Understanding to Students (BAGUS) program is aimed at introducing Australian Government departments, policies and practice to Australia Awards Scholarships awardees currently studying in Australia. The Connection, Association, Friendship, Exchange (CAFÉ) program aims to connect Indonesian civil servants, while they are studying in Australia, with their counterparts (or similar) in Australian government organisations.

In addition to long courses, in 2014-15 we increased the proportion of short-term Australia Awards offered in order to reduce the cost of the program while maintaining its reach, influence and responsiveness.



The Australia Awards Fellowships program provided 321 current and emerging leaders and mid-

career professionals from across Indonesia, with the opportunity to undertake short-term research, study, and professional development opportunities in Australia with Australian organisations. A further 55 short-term awards enabled participants to study three courses in Australia focusing on the development of specific skills required by Indonesian bureaucrats consistent with the Indonesian Government's bureaucratic reform process.

We commenced the development of an Enhanced Alumni Engagement Strategy that will be implemented from 2016. This strategy will also embrace private fee-paying alumni and recipients of other scholarships to study in Australia, and will support the broader social and economic objectives of the Australian Government's diplomatic mission in Indonesia.

Health

Indonesia has historically spent the least out of South-East Asian countries on health as a percentage of GDP (around 2.4 per cent) and has some of the region's worst health indicators. Reflecting an increased appreciation of the importance of health to economic progress, and some confidence in the capacity of Indonesia's health institutions to deliver improved outcomes, Indonesia has recently announced it will almost double its budget for health, increasing it to 5 per cent of the national budget for 2016.

The **Australia Indonesia Partnership for Health Systems Strengthening (AIPHSS)** program has provided high-level support to Indonesia's Health Sector Review, which has subsequently been translated into Indonesia's five-year health strategy. Throughout the year, our health systems strengthening work shifted to focus more on national policy under a new reform agenda, with the intention of playing an important role in supporting Indonesia in a technical capacity as it strives to achieve Universal Health Coverage and responsibly allocate its recently expanded health budget.

A recent evaluation of the **Australia Indonesia Partnership for Maternal and Neonatal Health (AIPMNH)** analysed data from the Ministry of Health (MoH) and found that maternal deaths in Nusa Tenggara Timur were 50 per cent lower in 2014 than they had been in 2009. For Indonesia's 32 other provinces, the average percentage change was negligible over the same

time period, suggesting that other national efforts to reduce maternal mortality have had less of an effect than the AIPMNH. The proportion of births in a health facility in the 14 supported districts has increased steadily from 42 per cent in 2009 to 73 per cent in 2014; and all supported District Hospitals now provide round the clock comprehensive emergency obstetric and neonatal care. The statistics have been dramatically improved by employing several technical mechanisms such as ensuring women with high-risk pregnancies had adequate healthcare visits before and after delivery. The political commitment of the Governor has been instrumental to the success of the program. The Governor has instructed the provincial health office to study and replicate AIPMNH.

Biosecurity has been addressed through the **Australia Indonesia Partnership for Emerging Infectious Diseases**, through which an **Early Warning Alert and Response System (EWARS)** has been developed. The success of EWARS is demonstrated by its roll out to most of the country using Indonesia's own domestic resources. Expansion of the program in 2014-15 to include surveillance, training and orientation now enables Indonesia to implement a rapid and effective response should cases of emerging infectious disease, such as Ebola, occur in the country. Development of a mobile phone technology-based national disease reporting system for animals continued, providing the Ministry of Agriculture with real-time information on diseases, movement and slaughter of animals throughout the country.

Injecting drug use now only accounts for 1.6 per cent of new HIV infections, compared to 33 per cent in 2002. The majority of Australia's work on the **Australia Indonesia Partnership for HIV** will conclude in 2015 with the exception of supporting Indonesia's response to managing HIV in the two Papuan provinces. Although antiretroviral coverage in the two Papuan provinces has increased from three per cent in 2010 to over 50 per cent in 2014, considerable work still remains to be done.

Objective 3: an inclusive society through effective governance

This objective is rated green because of the significant progress of investments in providing the support and evidence to inform Indonesian policies that are likely to have a significant impact on the poor and vulnerable.

In 2014-15, Australia's Governance and Social Development (GSD) programs contributed to improvements in Government of Indonesia policies, more accountable and effective public sector management and better systems for the delivery of basic services. This has resulted in improved quality of life and greater economic participation in many communities across Indonesia, in particular for women, the poor and the most marginalised.

GSD programs have achieved results by working closely with the Indonesian Government on its policy priorities in collaboration with civil society, universities and think tanks. Attuned to the political context, results have been realised through an approach based on partnership, using both innovation and lessons from past successes.

Australia's partnership with the National Team for the Acceleration of Poverty Reduction (TNP2K) in the Vice President's office demonstrates what can be achieved when we align our support with Indonesia's priorities and investments. Through the **Poverty Reduction Support Facility (PRSF)**, we continue to help TNP2K improve the quality and reach of Indonesia's social protection system, which disburses \$6.6 billion in assistance to the poorest 25 per cent of the population, representing 0.6 per cent of GDP. TNP2K's establishment of the Unified Database (UDB) is helping the Indonesian Government to improve its allocation of valuable resources and design more effective poverty reduction programs. The UDB helped target new presidential initiatives, including education, health and welfare assistance for poor families. Data updating

in 2015 is extending the database to cover the poorest 45 per cent of Indonesia's population (over 100 million people). The November 2014 fuel subsidy reduction, which was one of President Joko Widodo's first major tasks, was in part made possible through a TNP2K-designed compensation package to 15.5 million households. Despite the inherently political operating environment, an independent review in 2015 found that PRSF has been highly successful. Since Australia funded virtually all of TNP2K's activities, as well as establishing PRSF to provide support services, Australia shares in the success of this policy.

Inequality in Indonesia is rising. High rates of inequality can lower economic growth, slow poverty reduction and increase social conflict. In response to the Indonesian Government's request for research and policy support on this issue, Australia funded work through the World Bank's Partnership for Knowledge-based Poverty Reduction that includes a recent report, *Indonesia's rising divide: why inequality is rising, why it matters and what can be done*.

Australia's new partnership with the Indonesian Government to reduce poverty by improving basic services and increasing economic opportunities for the poor – **KOMPAK** – began work at the start of 2015. In its first six months it supported the drafting of regulations to implement the 2014 Village Law, through which the Government of Indonesia has allocated some \$2 billion to communities in 2015 alone. It trained and informed officials so village funds could start flowing through subnational governments from April 2015. KOMPAK also helped to raise public awareness of this important reform. By consolidating lessons from years of Australian support to the Government of Indonesia's **National Program for Community Empowerment** (PNPM) and to decentralisation, KOMPAK is poised to support President Widodo's goal of 'building Indonesia from the margins inwards'. PNPM's overwhelming success in fostering local growth and development is partly why the Indonesian Government has now institutionalised many of that program's key features in the Village Law.

Research resulting in policy change

In early 2013, KSI research partner, the Institute for Research on Empowerment (IRE), approached the district government of Gunung Kidul, Central Java, about conducting a joint research project on the impact of the district poverty alleviation funds on poverty rates. IRE worked closely with the local government to identify key issues to be investigated and formulated research questions. Once the research was complete IRE prepared policy briefs on the findings and disseminated them to strategic stakeholders in the district. The policy briefs provided recommendations on the district government's poverty alleviation strategy and the allocation of the district poverty alleviation funds. The recommendations were adopted as part of the District Government's Work Plan for 2014 and have been incorporated into BAPPENAS' Master Plan for Poverty Alleviation (MP3KI)

Through the **Knowledge Sector Initiative (KSI)**, Australia is helping Indonesia develop more effective, accountable policies to meet development needs by strengthening the capacity of domestic policy institutes and linking them to government to increase the use of evidence in policy-making. To date the program has focused on improving research quality through core funding for 16 policy research institutes as well as institutional support to assist these organisations to prepare strategic plans, enhance their communication of research findings and put in place robust governance mechanisms. In early 2015, KSI supported the Indonesian Academy of Sciences to develop an independent, multi-year research grant scheme to help address Indonesia's chronically low spending on research. Assistance to BAPPENAS' Policy Analysis Team has also facilitated the generation of timely research to inform the development of the RPJMN.

A mid-term review in the first half of 2015 recommended some revisions to the program's strategy to address the lack of cohesion between program components as well as to improve

the monitoring system to ensure the program can accurately assess impacts at the end of the first phase in mid-2017. New leadership within the program team has fostered greater Indonesian Government ownership and put in place an approach to program delivery through Indonesian Government-led policy working groups, in which policymaking stakeholders engage in regular dialogue. The program now has a clearer policy focus on village and rural development, bureaucratic reform, research and higher education.

Empowering Indonesian Women for Poverty Reduction (MAMPU) continues to be the largest donor program directly addressing gender issues in Indonesia. An independent verification of MAMPU's performance, which was conducted by an independent evaluator and DFAT's Office of Development Effectiveness (ODE), found the program is performing strongly, with the following key findings: that MAMPU has strengthened partners' and networks capacity to influence government reform; partners have actively influenced reform in favour of poor women; and there are early indications that MAMPU is contributing to widespread improvements for poor women in Indonesia. These improvements are small in scale (measured in terms of thousands of women reached) but satisfactory, given the early stage of the project. MAMPU expects large-scale change (millions of women) in the next phase: 2016–2020.

Of particular note, MAMPU exceeded expectations on the number of women's groups established at the local level to drive change—exceeding by more than four times the 2014–15 performance benchmark (see Annex B). At the national level, three MAMPU partners were invited to sit on a working group for “women, poverty and children” as part of the Indonesian President's transition team. This provided an opportunity to influence new priorities, including on social protection and overseas migration. One partner, Migrant CARE, intensively lobbied over 200 national parliamentarians and their advisers on their proposed amendment to the Law on the Placement and Protection of Migrant Workers. This draft amendment is now on the legislative agenda for debate in the national parliament in 2015. In May 2015, MAMPU held the first, high-profile Women Inspiring Change conference, which delivered a joint commitment from Civil Society Organisations and over 250 parliamentarians to work together in promoting gender equality and to formulate pro-poor and pro-women policies.

An external evaluation in 2015 found that the **Australia Indonesia Partnership for Decentralisation (AIPD)** worked effectively to align itself with the Indonesian Government's focus on decentralisation and participated in key areas of concern to both central and local governments. In particular through its work with sub-national governments in eastern Indonesia, AIPD supported much needed increases in health spending. At the end of 2014, 13 of AIPD's 20 target districts allocated the national minimum 10 per cent of budget to health, compared to only three in 2010. AIPD also helped reduce constraints to government procurement, which often stymie growth and development. By June 2015, 21 of AIPD's 25 target locations were using the national government's e-procurement system compared to just seven in 2011. This increased business opportunities for local suppliers—1,600 of whom received e-procurement training from AIPD.

GSD programs are **encouraging Indonesian innovations** to solve development challenges:

- Launched in October 2014, MAMPU's Innovation Fund is trialling six pilots that aim to empower poor women in reproductive health, livelihoods and policy making.
- A partnership with Pulse Lab Jakarta is helping the Indonesian Government apply new technologies. This includes a mobile application to assist health clinic staff to manage malaria and monitor drug supply and a socio-spatial database that uses crowdsourced data to map levels of vulnerability among the urban poor.

Since Australia's grant to the Government of Indonesia's **Program Peduli** in April 2014, our funding has helped more than 8,300 beneficiaries gain access to education, healthcare, land certification, legal identity, employment, credit and legal aid. The total number of beneficiaries was less than its target, but reasonable given the majority of Peduli's partners had been operational for less than six months.

Peduli promotes social inclusion as a pathway out of poverty for some of Indonesia's most marginalised groups, including people with disabilities and religious minorities. Creative use of multimedia is also paying dividends. A recent Peduli [Video on child workers](#) provides insight into the challenges they confront, and the program's [Facebook page](#) is attracting a growing audience.

Democratic Governance

2014-15 was a period of change for Indonesia's justice and democratic governance institutions. The change in government resulted in a range of new senior leadership appointments across the justice portfolio. Tensions also re-emerged between important partners, such as the KPK (the Indonesian Corruption Eradication Commission), and other law enforcement agencies. Amid this, Australia's justice and democratic governance assistance continued to achieve impressive results.



Ambassador Paul Grigson with members of the SPAK network Photo:ALPJ

On 22 April 2015, the 'I am a Woman Against Corruption' ('SPAK') network celebrated its first birthday. SPAK is a joint initiative between DFAT and the KPK to engage women in the fight against corruption. There are now approximately 444 active SPAK trainers in 15 provinces. Data up to May 2015 indicates that they have in turn trained around 100,000 women, men and children on how to detect and report corruption. The network is also making extensive use of social media, with over 700 SPAK videos on YouTube.

Under the **Australia Indonesia Partnership for Justice** support for peer-to-peer exchanges between the Australian Federal and Family Courts and their Indonesian counterparts, coupled with support for leading Indonesian legal think tanks, law schools and civil society organisations, is slowly improving the quality of dispute resolution services in Indonesian courts. In September 2014, the millionth court judgement was uploaded to a DFAT-supported online decision directory—an important milestone for improving transparency of court decisions. There has also been a substantial increase in the timeliness of court decisions: in 2014, the Indonesian Supreme Court completed more cases than ever, reducing its backlog to less than 4,500 cases (from 20,000 cases in 2004).

Our support leveraged Indonesian resources to improve access to justice for poor and marginalised groups. Rather than funding services directly, DFAT

supported Indonesia's Ministry of Law and Human Rights to establish, roll out and quality assure an Indonesian-funded legal aid system which is now operating in every province and providing free legal advice and representation to thousands of Indonesians living in poverty each year. We also assisted Indonesian legal aid providers and courts to put measures in place to improve access for people with disabilities.

Indonesia's Juvenile Justice Law came into effect in July 2014. DFAT-supported technical advice and pilot activities to support the implementation of this law led to an instant drop in the number of children being imprisoned, from 74 per cent of those brought to court in July 2014 to 51 per cent in October 2014. This is reducing the number of young petty criminals exposed to extremist ideologies in prison.

DFAT's support to Indonesia's Directorate General of Corrections (DGC) is contributing to Indonesia's counter-terrorism efforts. With our support, DGC has developed an electronic corrections database containing information on all inmates within the Indonesian prison system, including convicted terrorists. This data and DFAT-supported changes to the visitor management system are helping to combat corruption in the prison system while also improving the management of terrorist inmates.

The four-year **Australia Indonesia Electoral Support Program (AIESP)** concluded successfully on 30 June 2015. An independent evaluation stated that the assistance provided to Indonesian electoral management bodies had been effective. Australia's support—delivered through the Australian Electoral Commission, The Asia Foundation, the International Foundation for Electoral Systems and the Partnership for Governance Reform—helped stimulate a four per cent increase in voter turnout (from 71 percent to 75 per cent) and assisted with the independent monitoring of the elections. One of AIESP's key achievements was assisting Indonesian electoral management bodies to digitalise key electoral information (e.g. voter lists) and make this publicly available. Mobile application developers used the electoral information to produce 45 applications which were released publicly to inform voters. This was one of the multiple innovative methods used to reach voters, with a focus on first time voters and women.

Through the General Election Network for Disabilities Access (AGENDA), Australia supported equal access to political and electoral rights for people with disabilities. AGENDA monitored the 2014 Presidential election and in January 2015 co-hosted a regional dialogue on access to elections. It brought together more than 200 representatives (111 male, 89 female) from disabled peoples' organisations, election management bodies, government, media and international organisations to share their findings and ensure lessons learnt from Indonesia can help inform policies on electoral access across the region.

Disaster risk mitigation

The **Australia Indonesia Facility for Disaster Reduction (AIFDR)** was a credible provider of advice and support for disaster risk reduction in Indonesia. In its final year of implementation AIFDR produced technological tools for disaster managers, helped to develop national policy and disaster risk management systems, and supported innovative programs for safer communities. AIFDR successfully facilitated partnerships between science and technical agencies and saw a resulting increase in the Indonesian National Disaster Management Agency's (BNPB) uptake of scientific knowledge and analysis.

By working with a range of non-government actors AIFDR assisted vulnerable communities to prepare for disasters. AIFDR-built Emergency Operations Centres in Kupang and Makassar, and a training and logistics centre in Padang, strengthened national disaster preparedness, response and recovery capabilities. These centres are now operated by BNPB, which will also continue AIFDR's capacity development training program building technical skills and improving governance and financial management. AIFDR also supported regional disaster preparedness and response mechanisms through a partnership with ASEAN. Funding for the ASEAN Coordinating Centre for Humanitarian Assistance will continue until December 2016.

An independent review of AIFDR in August 2014 found that "AIFDR has evolved into a credible disaster reduction and disaster management facility with clear development objectives and a solid track record of achievements". AIFDR also increased BNPB's credibility with government and international organisations by supporting the development of organisational and technical capacities. The review found that AIFDR needed to be more efficient and could improve in the areas of monitoring and evaluation as well as knowledge management. Potential improvements were included in the design for AIFDR-2, however due to budget reductions the

new program will not go ahead. Instead, a new disaster management unit will house the risk and vulnerability work of Geoscience Australia, while also providing capacity to respond to disasters.

Performance Benchmarks

Progress against the performance benchmarks was mixed in 2014-15 with five being fully achieved (improved access to water and sanitation in rural areas, new school places created, local women’s groups established, completion of RPJMN with enhanced performance-based planning, and the completion of an investment climate survey) and six partly achieved. Two benchmarks were not achieved (detailed in Annex B). This mixed progress is to be expected in a year of changing policy directions and budget priorities. The performance benchmarks reported on in this document were developed prior to the finalisation of the AIP objectives and the decision to reduce the aid budget. The AIP outlines new performance benchmarks for 2015-16 which will provide a better indicator of progress towards objectives.

Mutual Obligations

In January 2015 Indonesia passed into law its new Medium-Term Development Plan (RPJMN 2015-19) which articulates Indonesia’s development objectives and identifies three priority areas of development focus:

- human development (education, health, housing, mentality and character);
- primary sector (food sovereignty, energy sovereignty and electricity, maritime and marine, and tourism and industry);
- and equity and regional dimensions (addressing inter-regional and income inequality).

The macro targets that Indonesia has set itself for 2015-19 are:

RPJMN 2015–2019 Macro Development Targets		
Indicator	2014 (baseline)	2019
Social development targets		
Human development index	73.83	76.3
Community development index	0.55	Increase
Gini index	0.41	0.36
Increased % of community who participate in health insurance programme through health sector	51.8% (Oct 2014)	Min 95%
Macroeconomic targets		
Economic growth	5.1%	8.0%
- GDP per capita (Rp. thousand) base year 2010	43.403	72.217
Inflation	8.4%	3.5%
Poverty rate	10.96%	7.0–8.0%
Open unemployment rate	5.94%	4.0–5.0%

Australia’s development priorities in Indonesia are closely aligned to the RPJMN and the President’s priorities. The AIP sets out how Australia will further align with the priorities Indonesia has identified. Indonesia’s National Development Planning Agency, Bappenas, has been engaged in the AIP development process and supports the goals and objectives we have assigned. Our objectives are a reflection of how best Australia can support Indonesia to tackle its remaining development challenges.

Despite Indonesia's middle-income status, challenges remain. It is still too early to assess how successful Indonesia has been in implementing its new development priorities as expressed in the RPJMN, but it is clear that structural and institutional barriers to progress need to be addressed. Indonesia has included a Gini coefficient target to explicitly aim for a reduction in inequality, in a context where inequality is growing. This is consistent with Indonesia's plan to improve human development, income generation for the poor, and decreased poverty rates. If achieved this would contribute to ensuring Indonesia's poorest consumers are less vulnerable to shocks and able to grasp economic opportunities. Australia's aid program is well-placed to provide the required policy advice and technical assistance to address these challenges – for example in infrastructure planning, monitoring and evaluation, and in improving education service delivery.

The mutual obligations listed in the 2013-14 APPR were a broad statement of the way we work and the results we achieved by supporting the Indonesian Government to address its remaining development challenges. Those statements remain true and examples of our policy support and technical guidance are highlighted throughout this document.

Of particular note, we committed to support reform by preparing high quality plans for the Indonesian Government's own investments and by piloting innovative solutions. The Indonesian Government has announced a new frontline service delivery strategy focused on enhancing accountabilities at the point of service (i.e. the frontline) between government, service providers, and citizens. Our key governance program, KOMPAK, has the Government of Indonesia's frontline strategy at its centre. KOMPAK is helping the Indonesian Government design and implement pilot programs and engage in strategic policy dialogue with relevant sectoral ministries and local governments. In addition, we supported the Indonesian Government's implementation of its new Village Law which replaced elements of Indonesia's Australian-supported PNPM program. While the unexpected and early closure of elements of PNPM caused short-term issues with delay and uncertainty and our inability to meet several of our performance benchmarks, the Village Law is a notable reform of Indonesia's local governance systems which builds on the lessons from PNPM and has the potential for widespread development impact.

Program Quality and Partner Performance

Overview

During 2014-15, the program paid particular attention to the collection and use of effective performance information to inform decision-making. A draft Performance Assessment Framework (PAF) was developed as part of the AIP process. When finalised, the PAF will generate meaningful information to measure performance against our AIP objectives. It will also foster collaboration across the entire program with multiple sectors contributing to shared objectives. The PAF will be finalised in the coming months to take into account the reduced program budget. During this revision, performance indicators will be developed to help measure progress towards the country objectives.

We have made progress in consolidation and are on track to meet the strategic target of a 20 per cent reduction in the number of investments by 2016-17. In June 2015, there were 65 active investments compared to 75 in June 2014. This figure has dropped further in the months after June as a number of investments subsequently ended. As an example, one new investment, KOMPAK, incorporates elements of eight different investments in community driven development, decentralisation and bureaucratic reform. We have a number of designs

underway for new investments which will reflect our AIP priorities. Consolidation will remain a focus as the program moves towards fewer, larger investments.

A number of evaluations were undertaken in 2014-15 (see Annex C which includes the forward pipeline), the majority of these have been completed and we are in the process of finalising management responses. Previously the publication rate of evaluations has been low, due partly to the sensitivity of some reports and also the length of time to finalise reports and complete management responses. Senior management and the program quality unit have been working with program teams to ensure timely publication of evaluation reports.

A review of the Design Evaluation Support Service found high levels of satisfaction from program staff and management and there is a high demand for the service across all program areas. The service is of good quality and typically results in tangible improvements, including that reports are of higher quality, are more responsive to management issues and that evaluations are being used to inform new designs.

Analysis of Aid Quality Checks (AQC)

40 Aid Quality Checks (AQC) and Final Aid Quality Checks (FAQCs) were completed in early 2015. A table of AQC ratings is included in Annex D. In general ratings remain consistent with 2013-14, the only noteworthy changes were an increase in efficiency ratings and a decrease in gender equality ratings. The majority of programs with improved efficiency scores are in the infrastructure sector. These improved scores can be attributed to the move from project planning and approval phases (which often experience delays) to implementation which has resulted in programs progressing as expected in the last year. A previously underperforming program, AIPHSS, improved its efficiency score as a result of a management restructure and consolidation of staff. This reduced the management burden for DFAT staff and allowed resources to be used for higher level planning, monitoring and policy dialogue.

A strategic target for the aid program is to have at least 80 per cent of investments effectively address gender in their implementation. The reduction in gender equality scores has been raised with senior management in Jakarta. Analysis by the Aid Management Unit attributes the drop in ratings to a more rigorous AQC moderation process this year. Gender advisers were involved in the AQC process and better guidance this year may have improved the accuracy of assessment. The lower scores provide an opportunity to focus efforts to address gender equality across the program and the inclusion of two performance benchmarks on this will help us measure progress.

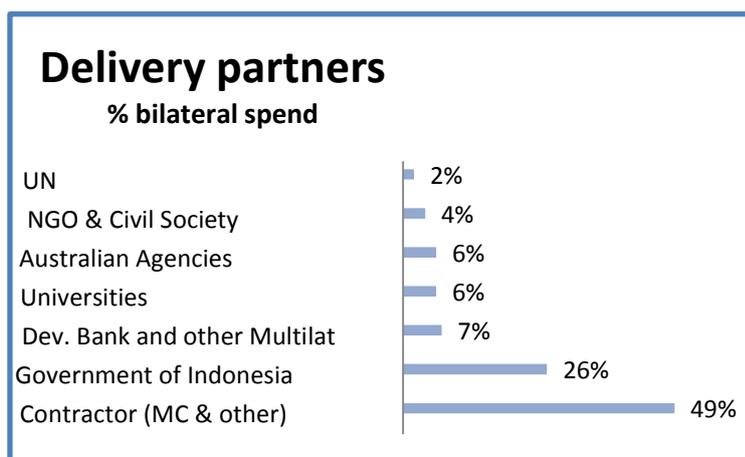
Three investments were identified as requiring improvement and the following remediation plans are in place:

- The Knowledge Sector Initiative's managing contractor has appointed a new management team and developed a Program Reform Plan (PRP) addressing recommendations from the 2014 Mid-Term Review. Progress against the PRP is reviewed with the managing contractor fortnightly and Post meet weekly to discuss progress and review risks;
- The Australia-UNICEF Rural and Remote Education Initiative for the Papuan Provinces received low AQC ratings primarily due to delays in program start-up. A progress report from July 2015 indicates that the program is progressing as planned and is already on track to move out of the classification of requiring improvement. We are closely monitoring progress and will undertake monitoring missions to the Papuan provinces. The reduced scope and funding for this investment will also help to ensure the investment remains targeted and on track to meet its objectives; and

- The Building Relations through Intercultural Dialogue II is performing well as an investment that supports people-to-people linkages but has less evidence of achieving sustained development outcomes. This investment ends in December 2015 and DFAT has put in place measures to improve the performance in the remaining months and will ensure that a high quality design with a greater focus on development outcomes is developed for the next phase of support.

Performance of key delivery partners

The majority of programs are implemented by managing contractors. In most cases managing contractors implemented programs to our satisfaction. There were only two programs where program implementation was found to be unsatisfactory and the contractors have taken positive steps to improve performance. Regular review of managing contractors is undertaken via routine monitoring of investments and Partner Performance Assessment reports.



DFAT relies on multilateral partners to implement several programs. The most significant of these multilateral partners are the MDBs; in 2014-15 seven substantial investments were implemented by the World Bank and ADB. Broadly, both MDBs have been effective implementing partners. They have good technical expertise, deliver good quality outputs and have strong working relationships with Indonesian counterparts in key sectors. Program delivery has been somewhat hampered by the MDB's inflexible internal processes, particularly in the areas of human resources and procurement; however in 2014-15 both MDBs have made efforts to resolve these issues and the associated performance problems.

DFAT also works through other multilateral organisations with expertise in specific sectors, such as UNICEF, the World Health Organization and the International Organization for Migration. These organisations benefit from their well-developed networks and tend to have reasonable-to-good performance overall. Local and international civil society organisations such as The Asia Foundation are increasingly effective implementing partners, managing DFAT programs to a high standard. These organisations have proven to be innovative and flexible, and have the ability to work appropriately on sensitive issues. While their monitoring and evaluation capacity is generally not as strong as managing contractors or multilaterals, they have excellent personnel and are well respected in Indonesia.

Risks

Table 3 Management of Key Risks to Achieving Objectives

Key risks	What actions were taken to manage the risks over the past year?	What further actions will be taken to manage the risks in the coming year?
The announcement of a 40 per cent reduction in the 2015-16 Budget has a negative impact on Australia's reputation and the program's performance.	Key Embassy representatives kept Indonesian Government counterparts apprised of budget and resourcing developments, including close consultations during the development of the AIP. Post held regular meetings with Bappenas to discuss consequences of a reduced program and strategies to minimise negative impacts.	We will continue to update the Government of Indonesia on changes affecting the development cooperation partnership. We will develop better communication products to explain the changes in our program to Australian and Indonesian stakeholders.
Staff losses and reduced access to internal and external technical expertise adversely affect program delivery.	Retention of corporate knowledge was maximised through comprehensive handovers and regular record keeping practices. A restructure at post and desk is underway following staff consultations. This restructure will reflect the consolidation of foreign policy, trade and aid responsibilities which will bring efficiencies.	In addition to further restructuring of post and desk as the management and program structure changes in line with the AIP and consolidation of aid, foreign policy and trade roles, more locally engaged staff will be recruited in Jakarta. We will invest in their capacity with a focus on team building, communication and training. We will work with other areas of DFAT to build our access to staff with technical expertise. Access to quality technical skills will be a core part of the design work to implement the AIP.
Factors in the bilateral relationship (external to the development cooperation) program negatively affect ability to deliver the program.	Close communication was maintained with Indonesian Government counterparts during times of tension in the relationship.	We will continue to build strong relationships with key Indonesian Government counterparts to deliver an effective, efficient and resilient aid program.
Current components of the DFAT performance system fail to give us information about performance at a country level, and on our management of issues such as program fraud.	The Performance System (including the performance assessment framework, aid quality checks, routine monitoring, increasing quality of evaluations and partner performance assessments) was progressed significantly. A Fraud and Anti-corruption Strategy for the aid program in Indonesia was developed and an Assessment of National Systems (ANS) was conducted.	Finalisation of the performance assessment framework in line with the AIP will strengthen our ability to measure and communicate results. Fraud deterrence and detection will remain a central pillar of program management. Implementation of the Fraud and Anti-corruption Strategy and recommendations of the ANS will assist in minimising program fraud.

Management Responses

The majority of management responses identified in the 2013-14 APPR were achieved or partially achieved with only two not achieved due to budget cuts (see Annex A).

The priority for the coming 12 months will be putting the AIP into practice. The economic partnership model outlined in the AIP is a new way of delivering the aid program in Indonesia. We will focus on providing policy support and advice that improves the quality of Indonesia's own investments in infrastructure, economic governance and social policy. This has the potential for higher returns, as our reach is extended through better leveraging domestic capacity and resources. But it also brings risk as we retain less control over the outcomes of our programs (compared, for example, with building schools or directly delivering services) and we are subject to sometimes unpredictable fluctuations in domestic policies. Striking this balance will permeate our management actions, described below.

We will:

1. Reorient our investments in line with the AIP

In close consultation with Indonesian counterparts, we will progress design work in the next 12 months to complete the program's transition to an economic partnership. This will include work in infrastructure, governance and education. We will manage this through greater utilisation of Canberra-based resources (both at desk and across the department) to provide design support and contract amendment capacity. In some areas, we will approach problems from a different angle—for example, using cross-cutting governance programs to deliver better outcomes in health, education and water and sanitation, where poor quality services at the local level are linked to weak financial management and accountability. Consolidating the number of our investments will remain an important priority for management especially given the reduced number of staff available to manage the aid program in Indonesia.

2. Finalise a performance framework and focus on quality

The move from a program that has to an extent been defined by scale and quantity of funds to one defined more by quality, influence and leverage will make it harder to gauge performance. We will measure performance and manage program risks by finalising and implementing the Performance Assessment Framework. The PAF will include indicators to track our contribution to change, not just stand alone victories, and will track progress and define success particularly in the more complicated governance programs.

To maintain a high-quality program we will continue to support improvements to aid management and program quality by undertaking and implementing recommendations from: AQC analysis, assessment of national systems, child protection risk assessment and fraud and anti-corruption strategy, and a 'start-up review' of new programs to capture lessons learnt in the first 18 months of new contracts. We will continue to engage external teams to review our programs with value for money being a key consideration to ensure reviews are targeted and providing robust evidence.

3. Improve the program's gender and disability outcomes

We will respond to our more realistic baseline in gender AQC scores by putting in place a gender action plan which will include training to ensure staff and management are equipped to adequately address gender equality through our programs and systemised monitoring of low

scoring AOCs. We will ensure that future evaluations include key questions on impact on gender equality. We will better communicate our successes in this area, through programs such as MAMPU, and ensure we capture previously missed opportunities to better integrate gender across the program. We will also establish a whole-of-program disability working group to maximise the performance of our disability inclusive development work.

4. Strengthen policy engagement by civil society

In the past year we have seen the Indonesian Government become more receptive to the ideas generated by Indonesia's civil society groups. The program currently has some strong civil society relationships and we will seize the opportunity to strengthen our engagement with these groups to help them provide valuable input to the Indonesian government's policy agenda.

5. Invest in our staff and access to quality technical expertise

The reduced aid budget was accompanied by a reduction in the number of staff at post managing aid investments. Our capacity to manage a strong economic partnership will depend on our capacity to retain and build a high-calibre team. The skills required will be different; in particular we will need strong knowledge of local political, regulatory and economic circumstances and well-developed networks. Locally engaged staff will be critical to our forward agenda and we will recruit local staff and invest in our staff capacity with a focus on team building, communication and training. We will work with other divisions of the Department to strengthen the Department's efforts to build DFAT staff aid management capabilities and our ability to access external technical expertise.

To lead this team effectively, we will revise our governance and communication arrangements to maximise alignment between Canberra and post and establish mechanisms to ensure good coordination and efficient and clear decision-making across DFAT's work in Indonesia.

6. Improve our communications

With the new focus on governance challenges and policy reform we need a more nuanced and sophisticated way to communicate our achievements, including the ability to explain our contributions to Indonesia's progress. We will develop communication products and identify opportunities for our development achievements to be incorporated into the Embassy's communication strategy.

Annex A - Progress in Addressing Management Responses

> Describe progress made against management responses in 2013-14 report

Management responses identified in 2013-14 APPR	Rating	Progress made in 2014-5
<p>Program Quality and Management</p> <p>To enhance the impact and effectiveness of our aid we will consolidate our portfolio and focus on fewer, larger investments.</p> <p>Through the aid program we will leverage our expertise in strengthening institutions and building capacity to support Indonesia to deliver the benefits of economic growth to its people.</p>	<p>Achieved</p> <p>Achieved</p>	<p>We have made progress in consolidation. In June 2015 there were 65 active investments compared to 75 in June 2014. This figure has dropped further in the months after June as a number of investments ended. As an example one new investment, KOMPAK, builds on lessons from some eight different previous investments in community driven development, decentralisation and bureaucratic reform.</p> <p>Australia's support to Indonesia in economic governance positively influenced Indonesia's economic and public sector reform policies and priorities through policy dialogue and technical assistance at the national level. Activities supported Indonesia's priorities in the areas of tax collection, planning and budgeting, macroeconomic management, financial sector supervision and regulation, and bureaucratic reform. The AIPEG and GPF programs are on-track to achieve their outcomes as indicated by good progress observed over the reporting period and through strong support for the continuation of the two programs by Indonesian counterparts during design consultations in 2014-15.</p>

We should do more to help tackle the impediments to economic growth including infrastructure and regulatory weaknesses; sharpen our economic diplomacy and aid-for-trade agenda; strengthen the competitiveness of the private sector; and strengthen governance systems and help build human capital (through targeted education quality and health interventions), particularly in the poorest eastern regions.

Partly
Achieved

We developed an Aid Investment Plan for Indonesia that focused the aid component of our economic partnership with Indonesia to achieve better results from its substantial investments in important areas such as infrastructure and education. This included strengthening private sector development through innovative partnerships including aid for trade, driving economic growth and poverty reduction, and enabling human development to drive improvements in education, health, and gender equality outcomes. For example, the Australia-Indonesia Partnership for Economic Governance and the Government Partnerships Fund contributed to promoting faster growth through improving the capacity of Indonesian government agencies to address market access, behind-the-border and productive capacity issues. Further, through KOMPAK, our partnership with the Indonesian Government to improve basic services and to increase economic opportunities for the poor, we helped to draft regulations to implement the 2014 Village Law which will allocate some \$2 billion to communities in 2015.

In education, we'll move away from building schools and invest more in improving the quality of teachers and learning outcomes.

Achieved

The focus of our investment in the education sector is on education quality and the program is moving away from education access. We have scaled back our school construction program and commenced the professional development for education personnel (ProDEP) program. We continued to assist with the accreditation of madrasah which is contributing to better quality education services being provided. Dialogue with Indonesia and other donors, and concepts for new support to improving the quality of teachers and learning outcomes, were developed over the year.

In health, we will continue to focus on maternal and child health, with an emphasis on reducing child stunting, which directly impacts learning outcomes and employment opportunities.

Partly
Achieved

The focus on maternal and child health has continued this year through the AIPMNH program. Our approach to addressing stunting was planned to be implemented through a new phase of support to MNH. This approach is now being reconsidered in light of budget constraints.

We will use our influence to leverage sustained and practical commitment from the new Indonesian administration on gender equality outcomes, including encouraging legislation and policies that help women gain access to formal jobs and safe migration. We will continue to scale up work with women in parliament. We are also working to ensure that there are gender advisers in our managing contractors to improve the strategic approach of programs towards gender equality, and to contribute to more consistent monitoring and evaluation.

Achieved

Through our MAMPU program, Indonesian organisation Migrant CARE and sub-partners targeted the amendment of law 39/2004 on the Placement and Protection of Migrant workers. The proposed amendment has been prioritised as one of 37 bills for consideration by Commission IX of the House of Representatives. MAMPU continued to focus on women parliamentarians and in May 2015, 250 female MPs from across Indonesia attended MAMPU's National Conference which this year was themed "Women Inspiring Change: Roles of the Legislative in Poverty Reduction in Indonesia".

Managing contractors are increasingly hiring gender advisors or, in cases where gender is not a primary objective of the program, such as the Knowledge Sector Initiative a social inclusion and gender strategy has been developed to guide future work plans. Managing Contractors are aware of the Australian Government's commitment to gender equality and are providing gender disaggregated data to improve monitoring.

We will continue to trial innovative ways of delivering development assistance such as through performance-based funding, which has worked successfully in the water connection program. We will engage with the Department's new Innovation Hub, and with new development partners in the private sector, and continue to drive efficiencies with our traditional partners like managing contractors and multilateral agencies. We will re-assess the best way to organise ourselves to deliver a high quality aid program. This will include a stronger focus on performance through the creation of a strategic performance unit and by centralising some program support and aid management functions at Post to improve efficiency and quality.

Achieved

PRIM Pilot Program is underway using a results-based grant program that incentivises better road maintenance performance. DFAT also developed proposals for performance-based public private partnerships for delivering Indonesia's freeway program.

Australia contributed \$3 million, with the backing of the innovation hub, to USAID's Development Credit Authority to enable private financing of small-scale clean energy projects throughout Indonesia.

A Performance and Strategy unit was created at the Australian Embassy Jakarta in 2014 and has oversight of strategic issues related to the aid program, including whole of program performance.

The development program in Indonesia is already highly accountable, but we will be doing more to ensure we are getting best value for the aid dollar by introducing meaningful benchmarks to assess performance, linked to the forthcoming Aid Investment Plan. When we develop a Performance Assessment Framework we will be able to use it to clearly identify our results and show us when activities are off-track. It will feed into the Department's Performance Framework and demonstrate how we will meet the Government's targets on policy issues like aid-for-trade and women's empowerment and operational issues like consolidation and value-for-money.

Partly Achieved

As part of the Aid Investment Plan process we have developed performance benchmarks for 2015-16 (see Annex B for progress against the interim benchmarks listed in last year's APPR).

The Aid Investment Plan wasn't finalised in 2014-15 and as such the performance and assessment framework (PAF) has not yet been finalised. It will be re-examined in coming months to reflect changes in the program resulting from budget cuts. Once finalised, the PAF will provide us with the necessary performance information to track progress against our objectives.

We will continue to build our relationship with the Indonesian Government to ensure we are both actively working towards the same goals. We will hold our annual Senior Officials Meeting in the first half of 2015 to discuss emerging issues and challenges.

Partly Achieved

We will continue to engage with stakeholders at all levels of the Indonesian Government, including through the Senior Officials Meeting, which took place in August 2015.

Education

DFAT will finalise a Sector Investment Plan by mid-2015, which will guide the program through the transition from current programming to the next generation of investments focused on improving the quality of education. This transition will be informed by emerging Indonesian and Australian government priorities, as detailed in the National Medium Term Development Plan (RPJMN) and the Aid Investment Plan (AIP), respectively.

Partly Achieved

The Education Sector Investment Plan is in draft form and is expected to be finalised by the end of 2015. Completion was delayed by budget cuts and subsequent delays to the Aid Investment Plan.

MORA will co-opt learnings from the Professional Development for Education Personnel (ProDEP) program into their training material to other education personnel. Associated training will be funded by Indonesia. ProDEP's 15% madrasah principal participation target fell slightly short at around 11%

DFAT, together with a nominated 'champion' from the project team, will continue to engage with the Ministry of Religious Affairs (MORA) to address any institutional constraints and encourage madrasah to participate in the school principal and supervisor professional development program.

Australia Awards

Ensure the new program maximises the impact of the investment for both the Indonesian and Australian governments. Important enhancements for the new program include a Gender, Disability and Social Inclusion Strategy; a Human Resource Development Support Strategy; a Post-Award Strategy; and an on-Award Enrichment Strategy; and recommendations for research and other initiatives under the Program Enhancement Fund, all of which are to be submitted by early 2015.

Achieved

A Gender, Disability and Social Inclusion Strategy; a Human Resource Development Support Strategy; a Post-Award Strategy; and an on-Award Enrichment Strategy; and recommendations for research and other initiatives under the Program Enhancement Fund, were submitted to DFAT in the Australia Awards Indonesia Annual Plan 2014-2015.

Commence and complete, by mid-2015, a Feasibility Study on improving pathways to access Australia Award Scholarships, including recommendations on both current pathway opportunities and current challenges and barriers to potential applicants.

Achieved

A Feasibility Study was conducted and the findings presented to the June 2015 Program Coordinating Committee (PCC). The PCC noted the findings and agreed to not proceed with a follow-up inclusiveness study on the basis that enough evidence about targeting has been gathered to proceed with program activity (noting that resources are better directed to delivering actual program activity rather than further background research).

Health

We want to advocate for a better health spend and to build on our successes in strengthening systems to help the government to reverse the deterioration in maternal health indicators in eastern Indonesia and reduce HIV infection rates in Papua and fast-growing urban centres on Java. Over the next year, we will continue to support Indonesia in its efforts to achieve universal health coverage and strengthen the health system.

Achieved

Both AIPMNH and HSS have had some success in advocating for a better spend at the national and sub-national levels. Between 2011 and 2014 all but two of the 14 supported districts in NTT substantially increased their budget allocations to the health sector, by an average of 34 per cent.

HSS assisted in the development and institutionalisation of National Health Accounts and District Health Accounts for evidence-based policy and planning.

Maternal health indicators show an increased number of births in a facility and a decreased number of maternal deaths in the eastern provinces in 2014. Coverage of HIV testing and treatment with Anti-Retrovirals has continued to increase in Papua; while HIV among people who inject drugs in urban centres continues to decline. HSS continued to support Indonesia with key reforms including decentralisation law and the Indonesia Health Sector review to assist universal health coverage and strengthen the health system.

Water & Sanitation

The Indonesia infrastructure Initiative (IndII) program is being extended by seven months to ensure all IndII water and sanitation infrastructure investments meet benchmarks agreed between the Governments of Australia and Indonesia. The IndII Governance board (jointly chaired by senior Government of Australia and Indonesia officers) will monitor progress against these benchmarks in September 2014 and February 2015. This also addresses recommendations in the 2013 ANAO audit.

Partly Achieved

IndII was extended until January 2017. The IndII Governance board did not meet as planned due to structural changes in Indonesia's Ministry of National Development Planning (Bappenas) that hampered their representation as co-chair.

Transport and Connectivity

The design of the new infrastructure assistance program will be completed by January 2015 and will build on lessons from implementation, and develop a pipeline of infrastructure investments and technical assistance. This has been guided by the infrastructure sector delivery strategy. Future assistance will reflect the Government's commitment to scale-up the aid for trade investments.

Not achieved

The design of the new infrastructure assistance program was put on hold in late 2014 following the anticipated budget cuts to the Australian aid program and the expected release of the new Indonesian five year national plan announced in January 2015. The design concept has been revised in light of these circumstances and a new design process is expected to commence in 2015-16. IndII has been extended until January 2017 to accommodate the extended transition period.

The Australian aid program will work closely with the NTB Government to advocate for increased budget allocations and enhanced procurement arrangements for provincial road maintenance conducted under the Provincial Road Improvement and Maintenance (PRIM) program. A formal review in February 2015 will assess the effectiveness of this work and make recommendations on whether the PRIM program is expanded to additional provinces.

Partly Achieved

Funds allocated by NTB Province for 2015 increased compared with previous years and were sufficient to finance the remaining contract commitments for PRIM Stage 1 until mid-2015. A review of the pilot program is underway and a decision to proceed with Stage 2 will be linked to commitments by the provincial government to address identified implementation issues.

A decision on whether to extend the Eastern Indonesia National Road Improvement Program (EINRIP) loan program to enable the final three road projects to be completed will be made by the Governments of Australia and Indonesia by November 2014.

Achieved

EINRIP was extended until September 2015 with the final three packages in South Sulawesi and Flores expected to be completed.

Economic Governance

Design two expanded economic governance programs for implementation from January 2016 to support Indonesia on economic policy issues and to engage with non-government Indonesian actors, including the business community and civil society. A monitoring and evaluation system will be developed to capture and demonstrate our achievements and to reflect the changing pace of the bilateral relationship under the new Indonesian administration.

Partly Achieved

An expansion of Australia's two economic governance programs; AIPEG and GPF, did not occur owing to reductions in aid funding to Indonesia however, economic governance programs remain a priority in Australia's overall support to Indonesia and plans to design a renewed phase of the two programs will take place in 2015-16. This will include an improved performance and evaluation system to build on lessons learned, demonstrate achievements more effectively and guide our support to Indonesia going forward.

Align our influence with key counterparts and success in key areas to explore new opportunities and stakeholders when the new Indonesian administration commences. This includes actively managing increased engagement and support to Indonesia to ensure they are well targeted to priority reforms such as private-sector led growth.

Achieved

While we will not expand GPF and AIPEG, we will continue to be responsive to Indonesia's reform priorities. For example, we are assisting Indonesian efforts to pursue its maritime agenda through support to the Indonesia Transport Safety Assistance Program in a new partnership under the GPF. This includes Australian support, including from the Maritime Safety Authority, to a number of Indonesian agencies to improve their search and rescue capabilities.

Invest in an enhanced performance management system with the completion of four additional reviews of GPF partnerships during 2014-2015 which will produce information and report on results and impact.

Achieved

Independent reviews for each of the 12 GPF partnerships remain on track for completion. During 2014-15 three partnership reviews were completed with a further review completed in August 2015.

Law and Justice

Commence and complete, by mid-2015, a design for a subsequent phase of support to Indonesia's law and justice sector. This design will include a clear overarching narrative about why Australia's investment in law and justice is important for Indonesia's development and how it supports Australia's national interest

Partly Achieved

A design process was undertaken for a second phase of the Australia Indonesia Partnership for Justice. The budget for law and justice support has been substantially reduced and as such the original design will not be implemented as planned. A revised design will be developed and will outline Australia's priorities in the sector.

Elections

Consistent with Indonesia's policies, DFAT is not planning to implement a stand-alone elections program following the conclusion of Australia Indonesia Electoral Support Program in June 2015, although some support will continue to be provided through grants to organisations working on democratic governance issues.

Achieved

The Australia Indonesia Electoral Support Program formally concluded on 30 June 2015.

Social Protection & Community Driven Development

By December 2014 DFAT will have developed a flexible facility model of support to be tendered for the second phase of Poverty Reduction Support Facility (PRSF). By June 2015, an updated monitoring and evaluation framework will have been developed and adopted, ready for use as required under the next phase of the program.

Partly achieved

A request for tender for a new facility, MAHKOTA, for the second phase of Australia's support to Indonesia on social protection was published in November 2014. The current investment, PRSF, has been extended until December 2015 to allow further time to ensure the new facility aligns with the priorities of the Indonesian Government. The new contractor will be mobilised in 2016 and will develop a monitoring and evaluation framework for the program.

By January 2015, a managing contractor will be appointed to manage our support for the National Program for Community Empowerment (PNPM). This model of support will aim to facilitate a shift towards greater Government of Indonesia ownership, so by June 2015 the contractor will have begun a process to determine how we will support the Government of Indonesia to integrate PNPM into Government of Indonesia systems.

Achieved

A managing contractor for the Combined Community Development and Decentralised Government Program (KOMPAK) was appointed in January 2015 to assist the Government of Indonesia with the transition of PNPM into national and sub-national government systems in order to implement Indonesia's Village Law. This is already facilitating greater Government of Indonesia ownership of relevant programming, with Indonesian counterparts closely involved in developing a strategy and work plan for KOMPAK.

Decentralisation

By end of 2014, Australia-Indonesia Partnership for Decentralisation (AIPD) management will finalise the strategic realignment of the program, track the results achieved by the program, and document the good practices as well as lessons learned for design of the new program.

Achieved

AIPD ended in June 2015 as planned. An Independent Completion report and activity completion report track results and document lessons learnt. The design and implementation of KOMPAK's strategic approach and work program are actively using lessons from AIPD and other related investments.

Bureaucratic Reform

<p>By end of 2014, the program will support the start-up of the Civil Service Commission (established with the passing of the Civil Service Law), including establishment of the secretariat, development of the strategic planning and business process, and an induction program for the Commissioners.</p>	<p>Achieved</p>	<p>DFAT supported the start-up of the Civil Service Commission by providing technical assistance to develop a strategic plan and the monitoring and evaluation systems; developed a communication strategy and supported its implementation; and assisted with an open selection process for civil service commissioners and the head of the secretariat.</p>
<p>Rural Livelihoods and Agribusiness</p> <p>Once all program components are operational, a common results framework will be developed for the Australia-Indonesia Partnership for Rural Development (AIP-Rural) to consolidate reporting and streamline program management across different activities. The results framework will include measures to assess performance against women's economic empowerment and the program's impact on rural poverty.</p>	<p>Partly Achieved</p>	<p>As not all program components are in implementation, a common results framework has not yet been finalised. However, substantial progress has been made with the development of a four-year plan allowing benchmarking of results against program targets. For PRISMA, the program's main component, an M&E plan has been finalised and staff capacity building undertaken. Gender is being mainstreamed into training and operational guidance, including data collection and performance measurement. Similar systems will be established in other program components, including data disaggregation by sex.</p>
<p>AIPD Rural will work with Bappenas to ensure that the market development approach to rural development is included in the Indonesian RPJMN and the concept has been presented to the incoming Indonesian government.</p>	<p>Partly Achieved</p>	<p>AIP Rural presented the market development concept to Bappenas and supported them to advocate the approach and include it in the Indonesian Government's poverty alleviation program. However the market development concept was not presented explicitly in the new RPJMN, which retained the same approach as the previous RPJMN of increasing production of key commodities and addressing challenges related to agricultural input and outputs through government-led interventions.</p>
<p>The Indonesia-Australia Partnership on Food Security in the Red Meat and Cattle Sector will establish management and governance mechanisms to support the planning and implementation of several projects as approved by its board.</p>	<p>Partly Achieved</p>	<p>A scope of services for a managing contractor to assist in the delivery of the programs under the Partnership is currently being assessed. Subsidiary Arrangement negotiations are currently underway with Indonesia to institute a Program Steering Committee.</p>
<p>Disaster Risk Management</p> <p>By October 2014 finalise the independent review of the Australia-Indonesia Facility for Disaster Risk Reduction (AIFDR) Phase one (2009-2013).</p>	<p>Achieved</p>	<p>Completed</p>

By December 2014 announce AIFDR-2, the next phase of support to Indonesia's disaster risk management sector.

Not
Achieved

Owing to aid budget reductions, AIFDR-2 will not proceed. Instead, a three-year, \$15 million disaster management program will focus on response preparedness while taking forward most of the scientific component of AIFDR-2.

Note:

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

Annex B - Progress towards Performance Benchmarks in 2014 -15

Aid objective	2014-15 benchmark	Rating	Progress in 2014-15
1. Improved access to economic and critical infrastructure.	a. 1,300 kms of roads rehabilitated or maintained	Partly achieved	1,115 kms of roads constructed, rehabilitated, or maintained is 86 per cent of the benchmark target. The shortfall is primarily due to Government of Indonesia's decision to put on hold PNP activities in 2015.
	b. 900,000 people living in urban areas with improved access to piped water and sanitation	Partly achieved	645,148 people (610,378 with improved access to water, 34,770 with improved access to sanitation) is 72 per cent of the benchmark target. The progress of implementation for the IndII grants programs was behind schedule due to a confluence of factors (see section on Infrastructure, Water and Sanitation), hence the partial achievement.
	c. 340,000 people in rural and peri-urban areas with improved access to community water and sanitation services (2014 annual target)	Achieved	464,034 people (373,218 with improved access to water, 90,816 with improved access to sanitation in 2014)
2. Better managed schools accessible to all, and better supported teachers	a. 39,000 new school places created	Achieved	In total 243 schools (135 USB and 108 SATAP) were completed from 1 July 2014 till 30 June 2015, providing 1,134 classrooms and an estimated 40,824 student places.
	b. 32,500 education personnel successfully complete a training course.	Partly achieved	A total of 22,949 officials were trained in 2014-15. There were several factors leading to the target not being met. The Ministry of Education and Culture was restructuring, causing several months delay in implementation and there was a reduction in the education aid budget.
3. Increased numbers of births delivered in a facility.	a. 95,000 additional births attended by a skilled birth attendant.	Not achieved	25,078 additional births attended by a skilled birth attendant. This benchmark was based on the 2013-14 aggregate development result. This benchmark includes results from AIPMNH but also relied on a significant contribution from the Government of Indonesia led program 'PNPM Generasi'. In 2014-15 Australia's contribution to Generasi was only 21 per cent of the total budget, therefore we can only claim 21 percent of the result -which was 18,937 births. There has been a 31 per cent increase in the number of births delivered in a facility from 2009 to 2014. Over the same period the number of maternal deaths decreased by 40 per cent.
	b. 47,000 additional women completing the full continuum of care for maternal and newborn health (consisting of four pre-natal care visits, facility-based birth, and three post-natal visits).	Not achieved	There was an error in how this benchmark was recorded in last year's APPR, it should have read "2,000 additional women completing the full continuum of care for maternal and newborn health ...". Regardless, there was no progress towards this benchmark. Progress against this benchmark was expected to come from a new investment in health which did not go ahead. According to the AIPMNH final completion report there was no increase in women completing the full ANC care (4 visits) between 2013 and 2014, it was 65 per cent for both years in districts supported by AIP. This does however compare favourably with National Health Survey data that found ANC (4 visits) coverage to be 56 per cent in NTT and 70 per cent nationally in 2013 (considering NTT to be one of the poorest provinces).

Aid objective	2014-15 benchmark	Rating	Progress in 2014-15
4. Increased participation of women's civil society groups in policy making.	a. At least 210 additional local women's groups across Indonesia established to participate in policy influencing activities in areas such as increasing women's access to jobs and strengthening women's leadership to reduce violence against women.	Achieved	MAMPU partners formed 950 additional women's groups—more than four times the benchmark. Local groups supported by MAMPU now have a total membership of over 17,409 women and 847 men.
5. More effective economic management to promote economic growth and stability.	a. Pilot of tax audit reforms completed and being rolled out in Jakarta province.	Partly achieved	A compliance risk engine is being trialled in 25 regional offices of the Directorate General of Taxation (DGT). The trial began in May and results are expected in late 2015. The compliance risk engine is part of long-term work to develop the risk management capability of DGT. The risk engine detects the risk of non-compliance by taxpayers. Audit teams in regional offices will conduct at least one high-risk case identified by the risk engine and monitor a further 10 taxpayers identified as high-risk. Usage of a risk-based framework to guide the priorities of auditors has the potential to improve the use of auditor's time and effort.
	b. The next RPJMN (Government of Indonesia medium-term development plan) is completed with an enhanced performance-based planning and budgeting framework.	Achieved	The RPJMN 2015-2019 was completed with limited improvement in performance-based planning and budgeting framework. The improvement is related to standardised output classifications in the RENSTRA (five-year strategic planning) regulation (Permen PPN 5/2014). An application, that our program helped to develop, is being rolled out to assist line ministries in preparing their RENSTRA. The application explicitly links planning and budgeting for the first time.
	c. An investment climate survey will be completed for Indonesia's Investment Coordination Board to inform future reform efforts.	Achieved	The Investment Climate Survey was completed and well received by Indonesia's Investment Coordination Board (BKPM). The survey highlighted a number of problems, including many issues related to labour regulation and markets. BKPM requested further examination of proposed minimum wage-setting timing and mechanisms and this work resulted in a policy brief being submitted to BKPM in the first half of 2015.
6. Improved incomes and livelihoods for farmers.	a. 35,000 smallholder male and female farmers in rural areas of eastern Indonesia will have accessed new agricultural inputs and technologies	Partly achieved	21,943 smallholder farmers have adopted innovative agricultural and fisheries practices (includes 17,006 smallholders who were assisted under the NTT Agroforestry Community Development Program which finished in June 2015, and 4,937 who were assisted by the AIP-Rural program). AIP-Rural's largest component, PRISMA, experienced a slow start but has made recent good progress. Significant scale-up is required over the next two years in order to achieve the program target of a 30 per cent increase in incomes for 300,000 smallholder farmers in Eastern Indonesia by 2018.

Note:

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

Annex C - Evaluation and Review Pipeline Planning

> List all evaluations and reviews completed in the reporting period.

Name of Investment	AidWorks number	Name of evaluation	Date finalised	Date Evaluation report Uploaded Into AidWorks	Date Management response uploaded Into AidWorks	Published on website
AIP4-the Knowledge Sector Initiative	INK640	Mid-term Review	5 June 2015	16 September 2015	December 2015	No
Poverty Reduction and Social Protection Facility	INJ244	Independent Completion Report	June 2015	October 2015	October 2015	October 2015
AIESP-Election Support^	INJ632	AIESP independent completion report	28 August 2015	September 2015	September	No
Education Partnership	INJ648	Annual Program Performance Report	March 2015		Early 2015	August 2015
Analytical and Capacity Development Partnership	INJ648	Midterm Review	October 2014	16 September 2015	16 September 2015	August 2015
Provincial Road Improvement and Maintenance	INL337	Provincial Road Improvement and Maintenance Program (PRIM) – M&E Study – Monitoring and Evaluation Report	April 2015	14 September 2015	No management response	No
Australia Indonesia Facility for Disaster Reduction	INI422	Review of Phase I	August 2014	16 September 2015	20 April 2015	October 2015
MAMPU^	INK714	Midterm Evaluation	September 2015	September 2015	October 2015	December 2015
Australia Indonesia Partnership for Maternal and Neonatal Health	ING821	Independent Evaluation of the Australia Indonesia Partnership for Maternal and Neonatal Health (AIPMNH)	19 May 2015	12 June 2015	16 October 2015	October 2015

REACH/CHAI	INH251	Rapidly Expanding Access to Care for HIV in Tanah Papua Program (REACH) Mid-Term Review – Final Report	19 December 2014	16 September 2015	16 October 2015	October 2015
Australia Indonesia Partnership for Decentralisation^	INJ122	Independent Completion Review	30 October 2015	November 2015	November 2015	November 2015

^ review started in 2014/15 and will be finalised next financial year

List of evaluations planned in the next 12 months

Name of Investment	AidWorks number	Type of evaluation	Purpose of evaluation	Expected completion date
EINRIP-Implementation Planning and Support Facility	ING633	Independent Completion Review	To assess the program's achievements and lessons over the life of the program	January 2016
MDB Infrastructure Assistance Program	INL082	Independent Progress Review*	To review progress and make recommendations on future programming	May 2016
PAMSIMAS-2	INK993	Independent Completion Review	To inform a future phase of investment	June 2016
Government Partnership Fund Phase II	INJ689	Independent Progress Review	To review partnership effectiveness	November 2015
Indonesia Infrastructure Initiative	INH582	Independent Progress Review	To review progress and make recommendations on future programming	September 2016
Water and Sanitation Hibah Phase 2	INJ149	Independent Progress Review	To review progress and make recommendations on future programming	September 2016

> *NB an exemption is being sought for this evaluation

Annex D - Aid Quality Check ratings

The previous investment level performance assessment system utilised Quality at Implementation (QAI) reports. Two criteria, Risks and Safeguards and Innovation and Private sector were not assessed in QAI reports and there have been significant changes in AQC reporting this year. Innovation and Private Sector is not a quality standard.

Investment name	Approved budget and duration	AQC/QAI year	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
Australia's Education Partnership	\$524,000,000 2010-2016	2014 AQC	4	4	4	6	4	3	5
		2013 QAI	5	4	4	5	4	3	n/a
Building Relationships Through Intercultural Dialog II	\$3,611,000 2011-2015	2014 AQC	2	3	3	3	4	4	4
		2013 QAI	5	5	5	5	4	4	n/a
AIP4: The Knowledge Sector Initiative	\$100,000,000 2012-2017	2014 AQC	5	3	3	3	4	4	5
		2013 QAI	5	3	3	3	4	3	n/a
Australia-UNICEF Rural and Remote Education Initiative for Papuan Provinces	\$12,180,055 2014-2016	2014 AQC	4	3	3	4	3	4	4
Australia Indonesia Partnership for HIV	\$128,500,000 2007-2016	2014 AQC	5	5	4	4	4	4	4
		2013 QAI	5	4	4	4	4	5	n/a
Australia Indonesia Partnership for Health Systems Strengthening	\$50,000,000 2002-2017	2014 AQC	5	4	5	3	5	3	5
		2013 QAI	5	3	3	4	5	5	n/a
Australia Indonesia Partnership for Emerging Infectious Diseases- Animal Health	\$22,000,000 2010-2015	2014 AQC	5	5	5	5	5	3	5
		2013 QAI	5	4	5	4	5	4	

Australia Indonesia Partnership for Reconstruction and Development: Eastern Indonesia national Road Improvement Program (Implementation, Planning and Support Facility)	\$36,160,309 2005-2016	2014 AQC	6	5	4	5	4	4	5
		2013 QAI	6	4	4	5	4	4	n/a
Australia Indonesia Partnership for Reconstruction and Development loans: Eastern Indonesia National Road Improvement Program	\$285,000,000 2007-2016	2014 AQC	6	5	4	5	4	4	5
		2013 QAI	6	4	4	5	4	4	n/a
Indonesia Infrastructure Initiative	\$178,628,329 2007-2017	2014 AQC	6	5	5	4	4	4	5
		2013 QAI	6	4	4	4	4	5	n/a
Provincial Road Improvement and Maintenance Pilot	\$11,929,867.47 2014-15	2014 AQC	5	3	4	4	3	5	5
MDB Infrastructure Assistance Program	\$40,500,000 2013-2017	2014 AQC	5	4	4	4	4	4	5
		2013 QAI	6	4	4	4	4	4	n/a
Water and Sanitation Hibah Phase 2	\$120,392,722 2009-2018	2014 AQC	6	5	5	5	5	3	5
		2013 QAI	6	4	3	4	4	4	n/a
SAIIG Infrastructure Grants Municipal Sanitation	\$40,000,250 2012-2018	2014 AQC	6	5	5	5	5	3	5
		2013 QAI	6	3	3	4	4	4	n/a
PAMSIMAS 2	\$49,950,000 2012-2018	2014 AQC	6	5	5	5	5	3	5
		2013 QAI	6	3	3	4	4	4	n/a
Empowering Indonesian Women for Poverty Reduction	\$60,000,000 2012-16	2014 AQC	6	5	5	5	4	5	5
		2013 QAI	5	4	3	5	4	6	n/a
Institutional Design and Capacity Building Initiative	\$5,685,000 2012-16	2014 AQC	5	5	5	4	5	4	5
		2013 QAI	6	5	4	4	5	5	n/a

Bureaucratic reform in Indonesia	\$11,275,000 2011-2015	2014 AQC	5	5	4	4	5	3	4
		2013 QAI	5	3	4	4	5	4	n/a
Enhanced Australian Response	\$4,530,572 2007-2016	2014 AQC	5	5	5	4	5	4	5
		2013 QAI	6	5	4	4	5	4	n/a
Australia Indonesia Partnership for Economic Governance	\$66,628,480 2008-2015	2014 AQC	6	5	4	4	5	4	4
		2013 QAI	5	5	4	4	5	4	n/a
Government Partnership Fund Phase II	\$50,000,000 2011-2016	2014 AQC	6	5	4	4	5	3	4
		2013 QAI	5	4	4	3	4	4	n/a
Support for Enhanced Macroeconomic and Fiscal Policy Analysis	\$5,100,000 2011-2016	2014 AQC	5	5	5	5	5	4	3
		2013 QAI	5	5	4	4	4	4	n/a
Development Credit Authority	\$3,000,000 2015	2014 AQC	5	5	5	5	5	5	6
Australia Indonesia Partnership for Justice	\$50,000,000 2009-2015	2014 AQC	6	5	5	4	5	4	5
		2013 QAI	6	5	5	4	5	5	n/a
Prison Reform in Indonesia Phase III	\$3,644,964 2012-2015	2014 AQC	6	5	5	4	5	4	5
		2013 QAI	5	5	5	4	4	4	n/a
Australia Indonesia Partnership for Rural Economic Development Program	\$103,619,099 2010-2019	2014 AQC	6	4	4	5	5	5	5
		2013 QAI	6	4	4	5	4	4	n/a
Australia Awards in Indonesia	\$62,467,947 2014-2018	2014 AQC	5	5	5	5	5	5	5
Scholarships Jakarta ADS-Intake 2011	\$116,542,674 2010-2018	2014 AQC	5	5	5	5	5	5	4
		2013 QAI	6	5	5	5	5	5	n/a
Indonesia Project	\$7,555,517 2012-2016	2014 AQC	5	4	5	4	4	4	5

FAQC ratings (include if relevant)

FAQC scores assess performance over the lifetime of the investment and should not be compared to the previous year's QAI ratings.

Investment name	Approved budget and duration	Overall rating	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
Australia Indonesia Partnership for Maternal and Neonatal Health Program	\$81,000,000 2006-2015	5	6	5	5	4	5	4	5
Australia Indonesia Partnership for Emerging Infectious Diseases for Human Health	\$4,745,000 2011-2015	5	5	5	5	4	5	3	4
Water and Sanitation Policy and Action Planning Project Facility	\$10,000,078 2008-2014	4	4	4	4	3	4	3	4
Indonesia Transport Safety Assistance Package	\$4,600,000 2014-15	4	5	4	4	3	4	2	5
Australia Indonesia Partnership for Decentralisation	\$70,000,000 2010-2015	4	5	3	4	3	4	4	4
National Program for Community Empowerment	\$233,133,215 2009-2018	5	6	5	5	6	3	4	5
Poverty Reduction and Social protection Support	\$124,000,000	5	6	6	5	5	5	4	5
Australia Indonesia facility for Disaster Reduction	\$88,599,999 2008-2015	5	5	5	4	3	4	4	5

Australia Indonesia Electoral Support Program	\$22,755,387 2011-2015	5	5	5	5	4	5	5	5
NTT Agroforestry Community Development Program	\$3,038,288 2011-2015	6	6	5	5	5	5	5	5
AMSA Search and Rescue	\$4,417,000 2013-2015	5	5	4	5	3	4	2	5

Definitions of rating scale:

Satisfactory (4, 5 and 6)

■ = 6 = Very good; satisfies criteria in all or almost all areas

■ = 5 = Good; satisfies criteria in most areas

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

Less than satisfactory (1, 2 and 3)

■ = 3 = Less than adequate; on balance does not satisfy criteria but does not fail in any major area

■ = 2 = Poor; does not satisfy criteria in major areas

■ = 1 = Very poor; does not satisfy criteria in many major areas