Indonesia Strategic Framework for Development
2012 - 2016
Cover photo: Children playing in the Mentawai Islands (SurfAid International)
Message from the Deputy Minister for Development Funding Affairs

This Strategic Framework for Development 2012 - 2016 sets out a comprehensive plan of New Zealand’s Aid Programme assistance to Indonesia for the next five years. It represents a distinctly New Zealand view on international development policy and reflects Indonesia’s priorities as well as New Zealand’s areas of comparative advantage.

I applaud and welcome the announced increases in aid budgets worldwide. However we need to be mindful that money alone will not achieve our development goals. Aid has to be spent more effectively and in support of improved policies and actions by developing, as well as developed, countries if we are to rid the world of poverty.

Delivering New Zealand’s aid programme will build our partnership. We will use the aid to reach out to the region and promote closer ties between New Zealand and Indonesia.

We will focus the aid on the fundamental pillars for poverty reduction and development – especially on renewable energy, disaster risk management, agriculture and human resource development. We will make a major investment in positive outcomes particularly for the people of eastern Indonesia.

Through the spirit of partnership and mutual accountability we believe both partners will contribute to delivering results in each focus area. By doing so, we will maximize our contribution to the achievement of the Millennium Development Goals and our own national interest. We’ll complement each other’s strengths – with the aim of growing together to take on the world.

Wismana Adi Suryabrata
Deputy Minister for Development Funding Affairs
National Development Planning Agency
Republic of Indonesia
Message from the New Zealand Ambassador

It is a pleasure for the New Zealand Government to present with Indonesia’s authorities the Country Strategic Framework for Development 2012 - 2016 between the Governments of Indonesia and New Zealand.

The framework has been developed through joint consultation with government institutions, civil society organizations, UN agencies, development partners and relevant experts in both countries over the past year. Together we have sought to ensure that the framework is well-aligned with Indonesia’s National Medium Term Development Plan 2010 - 2014, areas where New Zealand has particular skills that can be shared and the principles of the Jakarta Commitment, January 2009.

New Zealand’s development partnership is a very important part of our overall relationship with Indonesia. This aid programme is now New Zealand’s largest outside the Pacific.

The Framework outlines the New Zealand Government commitment to provide a total indicative aid flow of NZD 100 million (approximately IDR 750 billion) for our joint efforts to achieve development results in priority areas for Indonesia and where New Zealand can offer its strengths and expertise, like geothermal energy, agriculture, disaster risk management and higher education. The five-year strategy also includes a focus on eastern Indonesia where key development outcomes are not keeping pace with other parts of the country.

We believe that this Country Strategic Framework will contribute to Indonesia’s further sustainable development, including through increased use of renewable energy, effective government-led disaster response and recovery, increased efficiency in the dairy sector and improved biosecurity capability. The programme should also deliver up to 250 study awards to Indonesians to contribute to this country’s human resource needs and address the development and economic growth needs of eastern Indonesian provinces.

New Zealand looks forward to continuing to make a meaningful contribution to Indonesia’s transformation and sustainable development, working in close partnership with the Indonesian government and friends in the wider community. We hope that over the next five years, through the partnership the Strategic Framework envisages, the outcomes of our cooperation will be clearly evident and can be seen to have made a real difference at the national, regional, and local level.

David Taylor
Ambassador
New Zealand Embassy
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A framework for development

The Country Strategic Framework for Development 2012 – 2016 between the Governments of Indonesia and New Zealand establishes a shared vision for achieving long-term development goals for the people of Indonesia.

New Zealand’s development partnership with Indonesia

The focus areas for New Zealand’s assistance to Indonesia, and how we work together, will be informed by:


- New Zealand’s international development policy:

  - Mission which is “to support sustainable development in developing countries, in order to reduce poverty and to contribute to a more secure, equitable and prosperous world”. Within this the core focus is on sustainable economic development, including through carefully targeted programmes in Asia.

  - which has a focus on achievement of the Millennium Development Goals and adopts approaches that will make aid delivery more effective; improve efficiency and value for money; enhance accountability for results; ensure good risk management; integrate environment, gender and human rights as cross cutting issues to ensure good outcomes; and increase responsiveness and flexibility.

  - The Paris Declaration on Aid Effectiveness, the Accra Agenda for Action, the Jakarta Commitment on Aid for Development Effectiveness and the Busan Partnership for Effective Development Co-operation.


Goal of New Zealand’s Aid Programme to Indonesia

To contribute to an Indonesia that is self-reliant, advanced, just and prosperous.

Profile of assistance

Focus areas

The New Zealand Aid Programme will work with Indonesia to achieve this goal through investment in five focus areas reflecting Indonesia’s priorities as well as New Zealand’s areas of comparative advantage:

- Renewable energy
- Disaster risk management
- Agriculture
- Human resource development
- Eastern Indonesia
A total multi-year, indicative aid flow profile for Indonesia will be updated annually. This will outline all resources under the Indonesia bilateral allocation, and additional sectoral, multi-country, New Zealand state sector partnerships and non-government organisation (NGO) funding.

The majority of New Zealand’s assistance will be through the Indonesia bilateral allocation in the focal areas outlined in section 2 to improve focus, reduce dispersal and focus on larger, longer-term investments. New Zealand’s assistance will also include contributions to humanitarian response and disaster relief efforts where requested.

The Country Strategic Framework for Development is not a legally binding document and will be implemented with best endeavours in the spirit of partnership and mutual accountability.

Monitoring results

To enable both partners to assess the relevance and effectiveness of this Strategic Framework for Development, the governments of New Zealand and Indonesia will periodically jointly review its performance, focusing on achievements, constraints and the extent to which planned activities and outputs have contributed to delivery of tangible results in each focal area and fulfilment of the principles described above.

There will be regular dialogue to review results and consider any emerging priorities, while being mindful of the need to maintain focus and avoid excessive dispersal of the aid programme. Section 2 will be periodically updated.

A Results Framework, including an implementation timeframe, will be finalised during the first year of the strategy implementation which will assist in the joint review process.

The Country Strategic Framework for Development will take effect on written acknowledgement by the Government of Indonesia.
Focus Area 1: Renewable energy

Indonesia’s demands for electricity are increasing annually by approximately 8% consistent with sustained economic growth of 5 – 6%. Supply falls short of demand resulting in power outages. Alongside production shortfalls, the energy sector is challenged by a regulatory environment that poses risks for investors and, in the case of geothermal energy, by insufficient skilled and qualified personnel to achieve Indonesia’s planned production targets.

Increased energy production is a national priority. Indonesia aims to reach an electrification rate of 80% by 2014, including through greater reliance on renewable energy with 40% (up to 5000 megawatts by 2014) coming from geothermal sources. Increasing the proportion of energy supply from renewable sources will reduce greenhouse gas emissions through CO2 avoidance and bring public health benefits from avoided local pollution.

Long-term renewable energy outcome

Improved energy supply through increased use of renewable forms of energy

Action

• New Zealand will draw upon its comparative advantage in renewable energy, and geothermal energy in particular, to support Indonesia’s plans to increase its energy production from renewable sources.

• New Zealand will commit up to NZ$10.5M to the World Bank for a technical assistance programme with Pertamina Geothermal Energy (PGE): Capacity Building for the Transformational Scale-Up of Geothermal Development in Indonesia.

• Additional activities valued at up to NZ$2 million have been identified that will increase the rate of commissioning of new geothermal projects. These are currently under design.

• Some New Zealand – ASEAN Scholars awards will be prioritised each year for postgraduate study at Auckland University’s Geothermal Institute.

Results

• PGE increases its geothermal energy production by at least 150MW and becomes the largest geothermal developer in Indonesia with over 700MW of capacity by 2015.

• PGE’s preparation of geothermal investments will meet industry and international standards by 2015.

• PGE operates its geothermal energy plants at 85% of availability by 2015.

• An increase in the pool of capable Indonesian geothermal energy professionals in the industry.

• An increase in new geothermal energy projects by private investors.

• Individuals gain postgraduate qualifications in geothermal energy technology.
Focus Area 2: Disaster risk management

Indonesia’s economic growth and stability is constrained by weaknesses in its challenging enabling environment, including a high vulnerability to, and low level of preparedness for, natural disasters which hinder investment and negatively impact the local economy. From 1980 – 2009, 312 events in Indonesia affected 18 million people, resulted in more than 190,000 casualties and caused USD23B of damage.

The management of natural disasters is one of Indonesia’s eleven national priorities which it intends to address through increasing government and community capacity to mitigate risks and handle disasters, forming two rapid action teams and the introduction and operation of early warning systems.

Through its commitment to the Joint Declaration for ASEAN – New Zealand Comprehensive Partnership 2010 – 2015, and the Disaster Risk Management Flagship programme, New Zealand will support Indonesia’s management of natural disasters by incorporating technical expertise from New Zealand’s private and public sector into development assistance activities.

Long-term disaster risk management outcome

Reduced losses from disasters through more disaster resilient communities, faster and more effective government-led response and recovery

Action

• New Zealand will draw upon its comparative advantage in disaster risk management, in particular in hazard identification and management and governance, to develop activities that will support Indonesia’s plans to better manage natural disasters.

• New Zealand will work closely with Indonesia’s National Disaster Management Agency (BNPB), other relevant government agencies and development partners to identify multi-year activities of up to NZD5 million that will strengthen national and local government disaster risk management capacity.

• As required, New Zealand will commit additional funds to the Indonesia Multi-Donor Fund for Disaster Recovery (IMDFF-DR) that is activated following disaster events considered by the Government of Indonesia as requiring international support.

• New Zealand will commit up to NZD 5 million for reconstruction work at Muhammadiyah University in Aceh, damaged during the 2004 tsunami.

• Some New Zealand – ASEAN Scholars awards will be prioritised each year for courses related to disaster risk management.

Results

• Activities developed by the end of 2012 for implementation from 2013, that will support the development of national and sub-national disaster risk management policies, regulations, plans and strategies.
Focus Area 3: Agriculture

Indonesia’s population has more than doubled in the past 40 years and has created food security challenges. Domestic food production has increased, helping to maintain price stability, reduce food crises and provide employment but food security remains one of Indonesia’s eleven national priorities. Indonesia plans to grow its agricultural sector by 3.7% of GDP by 2014, increase self-reliance, increase the competitiveness of its agricultural products, increase income for farmers and conserve its environment and natural resources.

Through its commitment to the Joint Declaration for ASEAN – New Zealand Comprehensive Partnership 2010 – 2015, and the Agriculture Diplomacy Flagship programme, New Zealand will support Indonesia’s agriculture sector with technical expertise from New Zealand industry. Through the Memorandum of Understanding on Agriculture Cooperation, Indonesia and New Zealand have agreed to focus this support on the dairy sector and quarantine services.

Long-term agriculture outcome

Increased dairy sector returns through improved, sustainable practices and improved biosecurity capability.

Action

- New Zealand will draw upon its comparative advantage in agriculture, and the dairy industry and biosecurity in particular, to develop cooperative activities that will support Indonesia’s plans to develop its dairy sector in Java and quarantine services nationwide.
- New Zealand will commit up to NZD 7.5M for activities that will be identified and designed during the first year of this strategy.
- Some New Zealand – ASEAN Scholars awards will be prioritised each year for courses related to agriculture.

Results

- Activities to be developed by the end of 2012 for implementation from 2013 that will result in:
  - Dairy sector improvements in the areas of livestock breeding, on-farm practices and the market chain that increase income for farmers.
  - Extension of fresh food product biosecurity services to entry/exit points throughout Indonesia.
  - Individuals gain postgraduate or vocational training qualifications in agriculture-related fields.
Focus Area 4: Human resource development

One significant challenge Indonesia has identified for the achievement of its national development plans, and its aims to increase productivity and sustainable economic growth, is the quality of its human resources, particularly in the area of science and technology. Indonesia’s endeavours to increase the quality of human resources have seen results but more is required to ensure sufficient numbers of appropriately skilled and qualified individuals in the workforce to achieve national development targets, including in renewable energy, agriculture, disaster risk management and for the development of disadvantaged regions such as eastern Indonesia.

Long-term human resources development outcome

Educated and competent professionals, innovators and leaders able to meet Indonesia’s human resource needs and actively lead its development and economic growth

Action

• New Zealand will commit up to NZD 6 million to provide up to 50 New Zealand – ASEAN Scholars awards each year to Indonesian students for postgraduate study and vocational training in New Zealand. Priority will be given to applicants who demonstrate potential as future leaders in their field and whose chosen area of study will contribute to Indonesia’s development in the renewable energy, agriculture and disaster risk management sectors and in eastern Indonesia. New Zealand will seek to achieve a balance in the number of awards provided to men and women.

• New Zealand’s support for university relations will include a NZD3.75 million contribution to the University of Gadjah Mada (UGM)’s Research and Development Support Programme in support of the objectives of New Zealand’s Partnership Arrangement with UGM.

• New Zealand will provide a tailored programme to two young business leaders each year through the New Zealand – ASEAN Young Business Leader Flagship.

Results

• Up to 250 individuals gain postgraduate or vocational training qualifications from New Zealand institutions.

• An increasing proportion of New Zealand – ASEAN Scholars awards are provided for study related to agriculture, disaster risk management, renewable energy or development of eastern Indonesia.

• Balance in the New Zealand – ASEAN Scholars awards that are made available to men and women.

• UGM undertakes high quality research and education that supports local economic development and disaster risk management.

• Up to six individuals gain connections to the New Zealand business community and professional development through exposure to the New Zealand way of doing business.
Focus Area 5: Eastern Indonesia

Whilst per-capita income growth upgraded Indonesia to low-middle income status in 2008, significant wealth inequalities remain. Eastern Indonesia experiences lower economic growth than other parts of Indonesia with higher poverty rates, lower life expectancy and lower ranking on the human development index. Challenges exist in bringing basic health and education services to rural communities.

Ensuring growth in these sub-regions and improved community livelihoods is one of Indonesia’s eleven national development priorities. Bappenas, along with a dedicated Ministry for Development of Disadvantaged Regions (KPDT), is focusing attention on accelerating development in eastern Indonesia through strategies that include increased access to services, improved local government and community capacity, disaster mitigation and improved infrastructure and communications.

Long-term eastern Indonesia outcome

Prosperity in eastern Indonesian provinces gained through an improved economic enabling environment, improved community livelihood opportunities and improved health and education development outcomes

Action

- New Zealand will work closely with government authorities and development partners to develop multi-year activities during 2012 that will contribute to the achievement of the long-term outcome.

- New Zealand will commit up to NZD 5 million to strengthening small and microenterprises in Eastern Indonesia through the second phase of the People Centred Development Project.

- The New Zealand Embassy in Jakarta will establish a contestable fund for activities that will contribute towards the long-term outcome.

- Some New Zealand – ASEAN Scholars awards will be prioritised each year for scholars from eastern Indonesia.

Results

- Activities to be developed by the end of 2012 that will result in improved health, education and local economic development in eastern Indonesia.

- An increase in the number of small and micro enterprises (SME) and a 15% increase in the level of commercial or market-based lending to the SME sectors in Eastern Indonesia.

- Provincial and district policies, regulations, plans and strategies developed that better promote economic development and local service delivery, investment and employment generation.

- A contestable fund for local NGOs and civil society organisations is established during 2012 that increases opportunities for marginalised communities to access economic development opportunities.

- Individuals from eastern Indonesia gain knowledge, skills and higher education qualifications.