



Australian Government

AusAID

Australia–Indonesia Development Cooperation

A 6th Grade class in a
Madrasah School in Jakarta.
Photo: John Scheding



Sustained macroeconomic stability and a strengthening world economy have combined to lift *growth* in Indonesia. Encouragingly, some measures show poverty in Indonesia is now lower than before the financial crisis of the late 1990s. Sound implementation of the Indonesian Government's Economic White Paper continues to bolster international confidence as the country exited from its International Monetary Fund lending program in late 2003. The legislative election in April and presidential election in July, unprecedented logistical tasks, were conducted freely, fairly and peacefully.

However, enormous challenges remain. Growth remains moderate at below five per cent. More than half of Indonesia's 220 million people live on less than US \$2 per day. Investment in human capital and infrastructure continues to be inadequate. Conflict still affects several areas of the country, particularly the northernmost province of Aceh. Despite effective action on the part of the Indonesian police, the threat of terrorism has not yet been eliminated.

In the 2004–05 Budget, estimated Australian official development assistance (ODA) to Indonesia has increased significantly to \$160.8 million. This represents a 32 per cent increase since the 2002–03 Budget.

Australia's bilateral development cooperation program with Indonesia, its second-largest after PNG, is aimed squarely at meeting these challenges. Its objectives, as agreed between the governments of Australia and Indonesia in 2003, are

- > to strengthen economic and financial management;
- > help build the institutions of democracy;
- > promote stability and security; and
- > improve the quality and accessibility of government service delivery, particularly in the poorer eastern provinces.

IMPROVE ECONOMIC MANAGEMENT

Higher economic growth rates are key to reducing poverty and achieving sustainable development in Indonesia. Through helping to accelerate structural reforms and address the challenges of maintaining fiscal and macroeconomic stability, Australia aims to support improved economic management, laying the foundations for growth.

In 2004–05, Australia will build on past assistance to key institutions such as Indonesia's debt management agency, state-owned bank monitoring units, and large-taxpayers office, as well as the Supreme Court, Human Rights Commission, Supreme Audit Board and expanded training for public prosecutors. New areas of assistance under consideration include support for a major restructuring of the Ministry of Finance and advice to the newly established Anti-Corruption Commission.

ENHANCE SECURITY AND STABILITY

Ministers from both Governments continue to strongly condemn all forms of terrorism. The instability and uncertainty that occurs as a consequence of terrorist acts and organised criminal activity hinders Indonesian development aspirations.

Australia's counter-terrorism capacity building initiative for Indonesian police, financial intelligence and border control agencies will continue in 2004–05. A Transnational Crime Centre, established with assistance from Australia's development cooperation program and the Australian Federal Police, will become fully operational.

TRANSNATIONAL CRIME CENTRE – JAKARTA

Indonesia's Transnational Crime Centre opened in Jakarta, in early July 2004. The centre is part of the Australian Government's four year, \$10 million counter terrorism initiative in Indonesia. It will serve as a useful aid in law enforcement throughout South-East Asia and be a focal point for international collaboration on transnational crime issues.

The concept for this centre came in the immediate aftermath of the Bali bombing tragedy when the importance of working cooperatively to combat terrorism and other transnational crime became more apparent than ever.

Over recent years, the impact of not just terrorism but also human trafficking, child-sex tourism, people smuggling and the illicit drug trade has become more apparent. The Australian Federal Police (AFP) is helping build the capacity of the centre by delivering training in the areas of incident management response and intelligence analysis and providing relevant computer hardware and software.

This development builds on the strong relationship that exists between the Indonesian National Police (INP) and the AFP that has been fostered through joint investigations such as the Bali and Marriott bombings. It demonstrates the contribution development cooperation can make to improving regional security and the enhancement of international law enforcement efforts.

With an expanding program of assistance in HIV/AIDS prevention and treatment, Australia, working collaboratively with other key international development cooperation partners, is well positioned to help Indonesia deal with this growing problem. Intensified assistance will be given to the national, and selected provincial AIDS Commissions, to implement Indonesia's National HIV/AIDS Strategy and the new Sentani Commitment to Combat HIV/AIDS which was signed in January 2004 by six ministers and six governors. Further support will also be given to Indonesian community-based organisations working to deliver prevention and care services to groups at high risk of contracting HIV/AIDS, particularly young people injecting drugs and mobile workers. In collaboration with the National AIDS Commission and the Departments of Health, future support will progressively be offered to district administrations in locations where the threat of HIV/AIDS is becoming increasingly serious.

STRENGTHEN THE INSTITUTIONS AND PRACTICES OF DEMOCRACY

Stronger democratic institutions and legal reform will improve accountability by increasing access for all members of Indonesian society, particularly the poor, to influence policy making. Further reform in this area will be crucial to improve investor confidence and growth of the private sector.

Javanese women with voting slips on election day.
Photo: Chris Stowers/
Panos Pictures



The 2004 Presidential elections, Indonesia's first ever direct election for the Presidency, received substantial Australian support through the Australian Electoral Commission and other channels. In addition to training for election officials, Australia funded the largest domestic voter education and election-monitoring network, which mobilised close to 100,000 volunteers across the archipelago.

INCREASE THE ACCESSIBILITY AND QUALITY OF BASIC SOCIAL SERVICES.

The Australian Government aims to help Indonesia increase the accessibility and quality of basic social services through policy engagement at the national level and support for planning and implementation at the district level, particularly in basic education, health and water supply and sanitation.

Basic education institutions (primary and junior secondary) cater for approximately 45 million students across Indonesia. Support for basic education will be more than doubled by 2006-07. A major program in basic education is being developed to assist the creation of a well-resourced mainstream education system and include mainstream Islamic schools, which form part of the state education system and teach a predominately secular curriculum.

In addition, assistance for vocational education and skills development will provide opportunities and alternatives for young people who have completed basic education as improve ongoing livelihood and employment prospects for older workers.

INVESTING IN THE FUTURE

Over much of the past 40 years the biggest single item of Australian aid expenditure in Indonesia has been providing talented young Indonesians with the opportunity to study in Australia.

Since the early 1950s, more than 8000 Indonesian men and women have been awarded Australian Development Scholarships (ADS), making Australia the largest source of offshore scholarships in Indonesia.

This year (2004), a further 300 ADS have been awarded with two out of every three scholarships going to candidates supported by Indonesian government agencies or academic institutions.

As well, a quota ensures that an equal number of males and females are selected and at least 30 per cent of all ADS scholarships go to candidates from Indonesia's less developed eastern provinces.

All candidates undergo a thorough selection process that includes meeting English proficiency requirements and culminates in an interview with a panel of Australian and Indonesian academics.

Masters degree awards range from one to two years and a Phd. can be from three to five, meaning that at any one time there are about 800 ADS students in Australia.

A joint AusAID-UNICEF maternal and child health program.
Photo: Allison Sudradjat

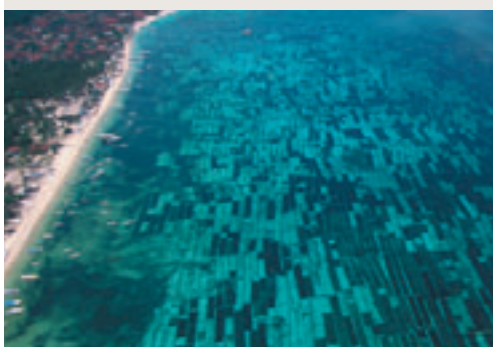


Australian support for maternal and child health in Indonesia aims to support the Indonesian Government to improve the quality of health services and to encourage more people to use these services. Activities focus on improving training systems for health workers, improving health facilities such as birthing centres and district health centres, enhancing community awareness of the causes of and solutions for ill-health and mobilising communities to demand better health care, and improving the management of health services.

In partnership with the World Health Organisation, Australia will also support the Indonesian Health Ministry's efforts to build capacity in communicable disease surveillance and control. Outbreaks of dengue fever and the threat of human transmission of the avian influenza virus in early 2004 revealed the depth of need in this area, at both national and local level.

Aerial view of seaweed farms near Denpasar, Bali.
Photo: Jack Picone

INDONESIA'S SEAWEED ENTREPRISE



The Australian Government, through AusAID, is backing an innovative plan to reduce poverty in thousands of Indonesian coastal communities by ‘turning aid into trade’. The strategy to help poor farmers add value to their product – and also gain direct access to lucrative international markets – is based on seaweed.

Seaweed is used as a vegetative gelatin and gumming agent in the processed food, pharmaceutical and cosmetic industries. Seaweed farming provides an alternative livelihood to traditional coastal pursuits such as fishing.

The plan to help Indonesia’s local seaweed farmers was formed by PENSA (the Programme for Eastern Indonesia Small-Medium Enterprises Assistance).

PENSA has a three-step approach to build on these traditional practices to help the *kelompok tani* and their families improve their standards of living: The first step is to increase production, second is develop local value-added processing and, third, link the finished product with international buyers.

In the longer term, PENSA aims to set up a market information system, which will provide crop forecasts and detailed price information.

PENSA is an initiative of the International Finance Corporation (IFC), the private sector development arm of the World Bank Group. The Australian Government supports PENSA through AusAID, as do the governments of Canada, Japan, Switzerland and the Netherlands.

REGIONAL DEVELOPMENT

In line with the development cooperation strategy agreed with Indonesia, Australia will establish a strategic, flexible approach to regional development in NTT and NTB, two of Indonesia’s poorest provinces. The Australia-Nusa Tenggara Assistance for Regional Autonomy (ANTARA) program will aim to reduce poverty through promoting sustainable and equitable social and economic development in NTT and NTB. Australia’s support will focus on improving regional and provincial governance, increasing peri-urban and rural incomes and improving the quality of and accessibility to basic services. Existing programs of Australian assistance in these areas will be brought together in a more coordinated way so as to reinforce impact.

Australian nurse Sean Birgan trains Bali nurses in the use of burns equipment at 12 October Australia Memorial Centre at Sanglah Hospital, Denpasar. Photo: Dominic Morice/AusAID



BALI HEALTH ASSISTANCE PACKAGE

The '12 October Australia Memorial Centre' is officially open. The new centre, located on the site of the old burns unit at Sanglah Hospital in Denpasar, is a memorial to the 202 people who died in the Bali bombing – including 88 Australians and 39 Indonesians.

The construction of a new Australia-Bali Memorial Eye Hospital will expand Bali's capacity to restore sight and prevent blindness among the poor. The centre will include training facilities for Indonesian ophthalmologists, to increase the number of Indonesian doctors able to perform cataract and implant surgery. Assistance also includes provision of the two new fully equipped mobile outreach eye clinics.

The first group of awardees under the Bali Memorial Health Scholarship Scheme is already studying in Australia. Also under Australia's Bali Rehabilitation Fund, vocational assistance to Balinese people whose livelihoods were affected by the bombings, will be completed by the end of 2004–05.

HUMANITARIAN ASSISTANCE

Indonesia remains vulnerable to natural disasters and inter-communal conflict. Australia, a major donor of humanitarian assistance to Indonesia since the economic crisis of the late 1990s, will maintain substantial levels of support for national and international agencies mandated to prevent, mitigate and/or respond to humanitarian crises. However, as a number of international agencies slowly phase down their presence in Indonesia, Australia will increasingly enter into longer-term, strategic partnerships with a small number of key humanitarian agencies, with the aim of building national capacity to recognise and defuse triggers for conflict, and to respond quickly and effectively to natural disasters. New assistance will be provided to the Indonesian Red Cross in order to strengthen its disaster prevention and mitigation role.