

INDONESIA - AUSTRALIA COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT (IA-CEPA): ECONOMIC COOPERATION PROGRAM (ECP)

Investment Design Title: Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) Economic Cooperation Program (ECP)

Start date: 2020 **End date:** 2025

Total proposed DFAT funding: AUD40 million in official development assistance (ODA)

A. Executive Summary

[NOTE: A statement on the impact of the COVID-19 pandemic is provided at the end of the Executive Summary]

The Governments of Indonesia and Australia have entered into the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA), creating a framework to unlock the vast potential of the bilateral economic relationship. To support this ambition, the IA-CEPA includes a new **Economic Cooperation Program (ECP)**.

To be based in Jakarta with an initial budget of at least \$40 million in official development assistance (ODA) over five years, the ECP's goal is **to maximise the benefits of IA-CEPA, support trade and investment, improve market access, and promote inclusive economic growth in Indonesia**. The primary objective is to ensure the efficient and effective implementation of IA-CEPA to increase two-way trade and investment that is broad based and inclusive.

The breadth of activities envisaged for the ECP under IA-CEPA, covering agriculture, manufacturing and services, requires an innovative delivery model. **Through a "Collaborative Hub", the ECP will leverage existing Australian investments in Indonesia** by working in partnership with the PROSPERA economic governance facility, Australia Awards, the Partnership for Australia-Indonesia Research (PAIR) and Investing in Women, whole of government partners such as Austrade, and other sectoral partners, to deliver new activities.

The ECP is a development program with a unique set of stakeholders and governance arrangements, being tied to a trade agreement. While packages which assist trade agreement implementation are not new, **the ECP will differ from other such packages through a predominant focus on industry engagement. The design recognises that new and deeper industry links are critical to fostering the step change that IA-CEPA seeks**. The ECP combines sound trade and development practice by supporting Indonesia to maximise the benefits of IA-CEPA, addressing regulatory challenges (through technical assistance), while resourcing innovative industry engagement in sectors of mutual interest, such as in agriculture; and by investing in standards, skills and private sector development in new areas (such as digital services and advanced manufacturing).

The ECP will drive multi-year activities around three key outcomes across three broad economic sectors, distilling the many and varied priorities identified by government and industry during the course of IA-CEPA negotiations and through extensive consultations in Australia and Indonesia, as summarised in the framework below:

<i>Outcome areas</i>	Agrifood	Advanced Manufacturing	Services
<i>Greater Market Access</i>	Implementation and maximisation of IA-CEPA to support market access, increasing trade and investment between Indonesia and Australia, driving growth and development.		
<i>Better Integrated Markets</i>	Enhancing industry engagement, fostering new partnerships, and cooperating on the standards and conformance ecosystem, in support of private sector development, gender equality and social inclusion.		
<i>Enhanced Skills</i>	Promoting skills and training for the Indonesian private sector and government through improved linkages and new skills delivery models, to boost productivity, competitiveness gender equality and social inclusion.		

Subject to approval by ECP stakeholders described below, the proposed initial multi-year activity areas are:

IA-CEPA Implementation: Implementation of the IA-CEPA will be the ‘core business’ of the ECP. Delivering and sustaining full implementation of IA-CEPA commitments will bolster Indonesia’s trade and investment and will require **sustained engagement with officials, socialisation of outcomes, and assessing potential sectors for deeper engagement over time**. Anchored around an iterative **IA-CEPA Implementation Work Plan**, this activity will monitor, evaluate and learn from IA-CEPA utilisation and broader impacts. Opportunities to strengthen new areas of partnership between Australia and Indonesia will also be explored through feasibility studies in areas such as strengthening linkages between Indonesian digital services firms and Australian capital markets.

Agrifood Innovation Partnerships: Commencing with a new **Grains Partnership**, the ECP will support deeper industry engagement on **grains for food** (with a view to innovation in Indonesia and third markets) and **feed** (for a more efficient and productive farming sector in Indonesia, with enhanced animal health outcomes). Further sectoral Agrifood Innovation Partnerships are planned as part of ECP in future years, including in other sectors where significant opportunities exist such as horticulture.

Powering Advanced Manufacturing: With an early focus on **electric batteries and resource inputs to power Indonesia’s planned electric vehicle program**, the ECP will support closer collaboration and new opportunities for partnership between Australia and Indonesia in advanced manufacturing. This will be pursued through a new mechanism for engagement between peak bodies, leading firms and government agencies to scope opportunities and support the standards and conformance ecosystem in advanced manufacturing.

Co-investing in Skills and Training: Supporting closer economic partnership between Indonesian industry and Australian TVET providers through Industry Committees in priority skills sectors and a skills ‘clearinghouse’ mechanism. The activity will support a range of training delivery models (**blended online-offline, train-the-trainer and online training**) driven by Industry Committees, commencing with tourism, agriculture and digital services, with later potential expansion into health professionals, advanced manufacturing, construction, creative economy and social services subject to available resources and commercially viable training opportunities. A partnership to **bolster the participation of women in TVET in Indonesia** will also support female workforce participation.

The governance structure of the ECP responds to IA-CEPA commitments and learnings from previous programs. As set out in the IA-CEPA, **all ECP activities will be subject to consideration of the Economic Cooperation Committee (ECC), with representation from the Indonesian and Australian governments discussed further below, through its adoption of an annual work plan, for approval by the IA-CEPA Joint Committee.** The Collaborative Hub will support the work of the ECC, preparing the annual work plan and providing monitoring, evaluation and learning (MEL) to support informed decision-making. The Collaborative Hub will also address challenges identified in previous development assistance programs activities through the committee structure of trade agreements, by **coordinating between the ECC, the overarching IA-CEPA Joint Committee** and other sub-committees. This overall structure responds to lessons learned from analysis of previous programs with similar features (see [Annex 7](#)).

The Collaborative Hub’s relationship with DFAT and Jakarta Post, as well as its capacity to build productive working relationships with Indonesian agencies and stakeholders, will be a key to success. Australia’s oversight of the Collaborative Hub’s work will be coordinated through a **Senior Responsible Officer (SRO) from DFAT at Jakarta Post**. The SRO will coordinate Australian Government views into a single voice regarding the operation of the Collaborative Hub. The Government of Indonesia will select its representative (likely, from Bappenas) to co-chair the ECC and support coordination of ECP activities with relevant Indonesian Government agencies.

A managing contractor, selected by competitive tender, will deliver the ECP through the Collaborative Hub. Its resourcing will represent best practice in minimising duplication with existing investments and maximise value for money through a **new shared services model**. The model will look for opportunities to complement and fully utilise operational functions in existing DFAT investments, while engaging with expert partners for specific sectoral activities. **This approach is lean and ensures activities are able to commence relatively quickly**, in line with expectations of IA-CEPA parties.

It is expected that Indonesia (Government and/or private sector) and the Australian private sector will also contribute financially and in-kind to the ECP. The Collaborative Hub will therefore have scope to accept **both official**

development assistance (ODA) and potential non-ODA funding or in-kind contributions (refer to further details at [Annex 8](#)). Consultations by the design team have identified a number of activities for which private funding may be forthcoming. The Collaborative Hub will maintain appropriate accounting and governance arrangements for the handling and acquittal of ODA and non-ODA funding.

A **detailed MEL system**, including a Results Framework and Key Evaluation Questions, has been developed to continually assess achievement of ECP outcomes and to feed ‘live’ insights into the decision-making process for selection of activities by the ECC. **The ECP will be resourced with MEL specialists – including with trade and investment experience** – to assess and report on economic and broader impacts of the IA-CEPA.

Gender and inclusion has been embedded in every activity under the ECP and in the leadership of the Collaborative Hub. All training, exchanges and industry events will seek participation of female-led firms and require at least 50% female participants in training and as speakers at events. [Section G](#) sets out the ways in which activities will be specifically adapted to maximise outcomes for female-led entrepreneurs, support trade in female-dominated industries and remove barriers to trade and investment for women and other excluded groups.

Statement on the impact of the COVID-19 pandemic

The COVID-19 pandemic will likely have a substantial impact on, at least, the first 12 months of the ECP. This is due to probable reallocation of resources by Governments and industry for pandemic response, bilateral (and global) supply chain and trade disruption, and ongoing limitations on social distancing and travel.

COVID-19 will likely have a negative impact on bilateral trade and investment between Indonesia and Australia. Subject to consultations, the ECP may be well placed to facilitate – as its first priority – a four phase response: (i) **assessment** of impact, (ii) recommendations for **mitigation** of impact, (iii) guidance on **restoration** of status quo ante trade and investment, and (iv) setting objectives for post-pandemic **growth**. Our proposed budget maintains flexibility to support this initial ‘pivot’ to address COVID-19 impacts.

Where relevant, COVID-19 response support and risk mitigation strategies have been incorporated in this Investment Design, including in the First Annual Work Plan.

B. Development Context (What problem are we addressing?)

IA-CEPA will help Indonesia drive economic growth and development

The need for trade and investment reforms sits at the heart of Indonesia’s drive for economic growth and development on its way to emergence as a top 10 global economy by 2030.¹ The prevailing average annual growth rate of around 5 per cent may not be sufficient to realise the potential of the Indonesian economy over this period.²

The Government of Indonesia has set out an ambitious plan to advance Indonesia’s economic growth and development, including through investing in human capital. President Joko Widodo is looking for Australia’s support for these efforts; seeking “leaps, not steps” to advance Indonesia’s economic stability and development.³

Trade agreements have emerged as a favoured tool to tackle Indonesia’s cross-border challenges. While most activity has occurred through its membership of ASEAN, Indonesia is also pushing forward with bilateral trade agreements with Australia, Canada, Republic of Korea, the European Free Trade Association and others.

The IA-CEPA has been signed and ratified against this backdrop, with the specific ambition to realise the potential of the bilateral economic relationship (see Section C) and thereby contribute to the objectives for Indonesia’s economic growth and development. However, **IA-CEPA ratification does not itself ensure full and sustained implementation of the liberalising measures contained in the agreement, nor an automatic step change in the bilateral economic relationship between Australia and Indonesia.** Indonesia’s complex regulatory environment for trade and investment and the relatively limited experience of the Australian and Indonesian private sectors in working together, along with language and other barriers will continue to present challenges to trade and investment.

The Economic Cooperation Program will help maximise the benefits from IA-CEPA. To implement IA-CEPA’s liberalising reforms and maximise the scope for Indonesia’s (and Australia’s) trade and investment growth, IA-CEPA enshrines

¹ PWC projects that Indonesia could be the world’s fifth largest economy by 2030, on its way to the fourth largest economy by 2050.

² Indonesia’s Economy: Between Growth and Stability. Roland Rajah, Lowy Institute, 15 August 2018.

³ <https://setkab.go.id/en/state-address-of-the-president-of-the-republic-of-indonesia-on-the-occasion-of-the-74th-anniversary-of-the-proclamation-of-independence-of-the-republic-of-indonesia-before-the-joint-session-of-the-r/>

in its Treaty text the framework for an **Economic Cooperation Program (ECP)**.⁴ The IA-CEPA's inclusion of an economic cooperation package reflects an emerging feature of Indonesia's trade agreements in the regional setting and bilaterally with developed country partners.⁵

The ECP is a highly targeted investment, with a predominant focus on engagement with the private sector, strengthening its role as a *demand* of economic reform, and as the driver of the potential step-change in two-way trade and investment. It will sit alongside (and not duplicate) Australia's existing, highly regarded long term bilateral development programs – including PROSPERA, the flagship Australia-Indonesia Partnership for Economic Development. The ECP will complement PROSPERA's continued developmental support to the Government of Indonesia which is guided by its goal of strong, sustainable and inclusive economic growth in Indonesia.

The rationale for the ECP strongly aligns with Australia's Aid for Trade priority areas — in particular in improving the regulatory environment in Indonesia and in improving the productive capacity of the private sector in Indonesia.⁶ It will combine sound trade, investment and development practice. To promote greater sustainability and effectiveness in Australia's official development assistance, it is proposed that the ECP adopt **leading practices in private sector led development, work on the basis of equal partnership and pursue the mutual interest between Australia and Indonesia** to promote trade, investment and economic partnership.

The ECP will seek to support the Australian and Indonesian Governments' mutual interests in a more inclusive society. Support for women's economic empowerment, greater disability inclusion, support for other minorities and geographical inclusion remain challenges in Indonesia. The design responds to these challenges by integrating a focus on inclusive society and growth in each activity, and including a broad set of diverse partners for activity implementation.

C. Strategic Intent and Rationale (Why?)

Fulfilling the potential of the Australia-Indonesia Economic Relationship

Australia and Indonesia's strategic interest in enhancing their economic and development partnership is reflected in the first pillar of the Joint Declaration of a Comprehensive Strategic Partnership concluded in August 2018⁷, as follows: *"We acknowledge that IA-CEPA is a valuable step towards further advancing open markets and trade facilitation and that it provides a pathway for future inclusive regional economic integration."*

IA-CEPA creates a framework for Australia and Indonesia to unlock the vast potential of the bilateral economic partnership, including to leverage trade with the region and beyond (in third markets). In 2018, total two-way trade in goods and services with Indonesia was \$17.6 billion, making Indonesia and Australia only each other's 13th largest trading partner.⁸ This is despite close geographical proximity and complementary industries between the two countries. The potential of the Australia-Indonesia economic relationship has been characterised as 'underutilised' or 'underdone' for some time.⁹ IA-CEPA provides Australian and Indonesian businesses with an opportunity to expand and diversify this economic partnership.

The ECP will help secure and sustain outcomes of the IA-CEPA

The ECP is an important mechanism for maximising the potential of IA-CEPA and the bilateral economic relationship. The framework for the ECP is enshrined in the treaty text of IA-CEPA, with Article 15.1 of the IA-CEPA stating:

"Economic cooperation under this Chapter shall be built upon a common understanding between the Parties to support the implementation of this Agreement, with the objective of maximising its benefits, supporting

⁴ Joint Press Statement by the Minister of Trade of the Republic of Indonesia and the Minister of Trade, Tourism and Investment of Australia on the Signing of Indonesia – Australia Comprehensive Economic Partnership Agreement, 4 March 2019

⁵ Economic cooperation has been included in a number of ASEAN FTAs, including the ASEAN-ANZ FTA and in Indonesia's recently concluded bilateral FTA with the Republic of Korea.

⁶ Australian Government, Strategy for Australia's Aid for Trade Investments – Supporting developing countries to trade and prosper July 2015.

⁷ From the Joint Declaration on the Comprehensive Strategic Partnership between Australia and Indonesia, accessible at <https://www.dfat.gov.au/geo/indonesia/Pages/joint-declaration-comprehensive-strategic-partnership-between-the-commonwealth-of-australia-and-republic-of-indonesia.aspx>

⁸ The untapped potential in the bilateral economic relationship was underscored in comments by Australia's Prime Minister during the visit by Indonesian President H.E. Joko Widodo to Australia on 10 February 2020, as follows: "Indonesia is one of Australia's nearest northern neighbours, a growing trillion-dollar economy and the fourth most populous nation, but only our 13th-largest trading partner. Australia is Indonesia's 13th-largest too. There is enormous untapped potential for both nations, which we have recognised, and we are determined to unlock this through the IA-CEPA."

⁹ See, for example, discussion of this 'underutilised' characterisation in Paragraph 3.6 of Report 186 of the Joint Standing Committee on Treaties (JSCOT) into the IA-CEPA (October 2019)

pathways to trade and investment facilitation, and further improving market access and openness to contribute to the sustainable inclusive economic growth and prosperity of the Parties.”

Each of the ECP’s activities are to be agreed by a Joint Committee under the IA-CEPA, and are to:¹⁰

- be guided by the medium-term objectives [as determined by Indonesia and Australia];
- be related to trade or investment and support the implementation of [the IA-CEPA];
- involve both [Australia and Indonesia];
- address the mutual priorities of [Indonesia and Australia];
- take into consideration the economic cooperation needs as proposed and identified by other [committees under the IA-CEPA]; and
- avoid duplicating existing economic cooperation activities.

The ECP is part of Australia and Indonesia’s evolving bilateral relationship, by moving from a predominantly development partnership to a closer economic partnership. Further, as Indonesia continues to grow and assume an even greater leadership role in the region, this partnership will be critical to Australia’s future economic growth, security and relationship with Asia.

IA-CEPA envisages closer economic partnership across a range of sectors, including agriculture, horticulture, advanced manufacturing, food processing, creative industries, skills, tourism, health, and professional and financial services. Building deeper partnerships requires a sustained investment in relationships involving government, the private sector, civil society, academia and the public more generally. The restrictive environment across many of these sectors in Indonesia has contributed to Indonesia’s high trading costs, and dampened its ambitions to increase participation in Global Value Chains.¹¹ **By investing in activities designed to deepen sectoral partnerships, alongside liberalising regulatory initiatives linked to IA-CEPA, the ECP will contribute to private sector development and a more trade-facilitative regulatory environment.**

These activities, across varied sectors of the Indonesian economy, will require technical assistance, capacity building and on-going official and business exchanges. The ECP will support the Indonesian Government to reap the full potential of IA-CEPA through greater trade and investment, private sector development and partnership, and enabling skills development.

There is currently no single program or facility able to deliver support across the full scope of the economic partnership envisaged. While a number of existing DFAT facilities work in the areas covered by IA-CEPA, the ECP will coordinate with those existing efforts and cover activities not currently delivered, to provide coordinated support for IA-CEPA commitments. The design of the ECP as a Collaborative Hub connecting with other DFAT investments and implementing partners, enables the ECP to leverage existing investments and achieve value for money. There is potential for ECP to partner with PROSPERA, the Australia-Indonesia Partnership for Promoting Rural Incomes through Support for Markets in Agriculture (PRISMA), Australia Awards, PAIR, the Australia-Indonesia Centre and Austrade, amongst others (see [Annex 4](#) for a brief description of existing facilities and programs with which the ECP is expected to collaborate).

The ECP aligns with Australian Government policy objectives

The ECP aligns and furthers the Australian Government’s policy objectives as set out in the Foreign Policy White Paper, Aid Investment Plan, Aid for Trade Strategy, Private Sector Development Strategy, Gender Equality Strategy and the Sustainable Development Goals.¹²

The 2017 Foreign Policy White Paper identifies objectives of fundamental importance to Australia’s security and prosperity. The ECP will work to support each of these:

- Promote an open, inclusive and prosperous Indo–Pacific region in which the rights of all states are respected.
- Deliver more opportunities for our businesses globally and stand against protectionism.
- Ensure Australians remain safe, secure and free in the face of threats such as terrorism.
- Promote and protect the international rules that support stability and prosperity and enable cooperation to tackle global challenges.

¹⁰ Adapted from Article 15.4 of the IA-CEPA

¹¹ Strengthening Indonesia’s Participation in Global Value Chains”, OECD Indonesia Policy Brief, March 2015.

¹² We acknowledge that a new Australian Aid Investment Plan and Development Policy Review are under development at the time of this design.

Australia's relationship with Indonesia is considered central to achieving the above objectives.¹³ In a period of significant change in international relations and global uncertainties, a **closer partnership between Australia and Indonesia presents substantial opportunities in terms of economic potential and regional leadership**. At the same time, Indonesia is looking for partners to boost productivity in critical sectors like agriculture, adopt advances in manufacturing and support the growth of services through deeper financial markets and skills.

The ECP will pursue opportunities to benefit from the complementarity of the Australian and Indonesian economies. It will harness new sources of economic growth including the digital economy. Further, **the ECP will support an enhanced model of economic partnership with Indonesia that supports Australia and the region's long-term interests**. The ECP will utilise Australia's soft power assets, improving how Australia's commercial, educational and cultural credentials are positioned in one of the world's most rapidly growing markets, through a range of industries identified as priorities through IA-CEPA.¹⁴

The current **Aid Investment Plan** for Indonesia provides that Australia will move "...away from the traditional donor recipient-aid model towards a more mature partnership – an "economic partnership" – that focuses on leveraging Indonesia's own substantial resources. At around \$300 million per year¹⁵, Australia's development assistance will represent less than 0.1 per cent of Indonesian Government expenditure¹⁶. Achieving impact will therefore not be about the volume of resources we bring to the table, but about being able to deliver development assistance aimed at catalytic reform."¹⁷ As a relatively modest, targeted investment, ECP will complement Australia's existing, highly regarded long-term bilateral development program. It will also advance the transition through targeted economic cooperation activities in our mutual interests, agreed and delivered in partnership with Indonesia. Further, it is expected that Indonesia (government and/or private sector), as well as Australian industry, will contribute financially and in-kind to the ECP.

The ECP aligns with DFAT's **Strategy for Australia's Aid for Trade Investments**¹⁸ to help our development partners effectively trade and prosper. This strategy is about "helping developing countries improve their regulatory environment, address poor economic infrastructure, and build their private sector capacity". It seeks to make a real economic difference to the lives of their citizens. The Australian Government has set a target of allocating 20% of the aid budget for aid for trade investments by 2020¹⁹. In alignment with this strategy, and to further recommendations of the **Office of Development Effectiveness to better align aid, trade and diplomacy**²⁰, the ECP will seek innovative solutions, partner with the private sector and promote market-based systems. As set out in Section B, the ECP's activities will fully align with Australia's Aid for Trade objectives, in particular in improving the regulatory environment and productive capacity of the private sector, in Indonesia.

DFAT's **Private Sector Development Strategy** refers to the concept of "shared value" which recognises that "through increased collaboration and partnering, business can deliver sustainable social impact in developing countries while delivering commercial returns. The private sector drives productivity and participation which in turn creates economic growth."²¹ The ECP aligns with the three priority objectives contained in the Private Sector Development Strategy, namely: building better business and investment environments (in collaboration with PROSPERA's Markets Engagement Area), supporting growth in specific markets and maximising the development impact of business.

The ECP also supports the goals set out in DFAT's **Gender Equality and Disability strategies**. By adopting an integrated approach to gender equality and social inclusion throughout the design and implementation, the ECP places priority on utilising private sector development as opportunities to support women in work, access to employment for persons with a disability and economic growth that will afford strengthened services and a more inclusive economy.

¹³ Australian Government, Foreign Policy White paper, Page 4. <https://dfat.gov.au/about-us/publications/Pages/2017-foreign-policy-white-paper.aspx>

¹⁴ Australian Government Foreign Policy White paper, Page 5-8 <https://dfat.gov.au/about-us/publications/Pages/2017-foreign-policy-white-paper.aspx>

¹⁵ This figure includes bilateral, regional and multilateral funding, and is based on DFAT's estimate for 2019-20.

¹⁶ Based on Indonesian forecast for 2020 Government expenditure.

¹⁷ Australian Government, Aid Investment Plan 2015-16 to 2018-19, Page 3 <https://dfat.gov.au/about-us/publications/Pages/aid-investment-plan-aid-indonesia-2015-16-to-2018-19.aspx>

¹⁸ Australian Government, Strategy for Australia's Aid for Trade Investments – Supporting developing countries to trade and prosper July 2015.

¹⁹ This target was surpassed in 2018 according to DFAT disclosure at <https://dfat.gov.au/about-us/publications/Documents/development-cooperation-fact-sheet-aid-for-trade.pdf>

²⁰ The Office of Development Effectiveness' "Positioning the Aid Program to support Australia's economic partnership in Asia" (October 2018) noted that Australia's trade agreements with economic cooperation pledges "offer an opportunity to use Australian aid to promote reforms that will deepen trade and investment ties, with benefits to firms in both countries."

²¹ Australian Government, Strategy for Australia's aid investments in private sector development, October 2015. Page 6. <https://dfat.gov.au/about-us/publications/Pages/strategy-for-australias-aid-investments-in-private-sector-development.aspx>

In particular the ECP supports the priority of promoting women's economic empowerment and integrates gender equality and women's empowerment into aid for trade investments and economic diplomacy.²² The strategy notes that "aid for trade investments can make a significant contribution to advancing gender equality, specifically by empowering women by helping them to participate fully and effectively in goods trades in sectors such as agriculture and fisheries, as well as in services. Higher rates of labour force participation will in turn promote higher levels of production." Gender and disability considerations and opportunities have been incorporated into the ECP's first 12-month work plan ([Annex 2](#)).

The ECP will contribute to the **Sustainable Development Goals** (SDGs) by improving the lives of poor women through increased access to jobs (SDGs 5 and 8) and promoting strong, sustainable and inclusive economic growth (SDG8).

D. Proposed Outcomes and Investment Options (What?)

The goal of the ECP is to maximise the benefits of IA-CEPA, support trade and investment, improve market access, and promote inclusive economic growth in Indonesia. Its objective is to support the efficient and effective implementation of IA-CEPA to increase two-way trade and investment that is broad based and inclusive.

IA-CEPA achieves important advances in trade and investment openness and a closer economic partnership between Australia and Indonesia. With liberalising commitments and prospects for enhanced two-way trade across much of the economy, supporting IA-CEPA implementation will help develop and maintain more stable, open, inclusive, gender equitable and transparent trade and investment regimes in Indonesia. This will be crucial to ensuring Indonesia remains an attractive trading partner and destination for foreign investment for Australian businesses. Helping to create such an environment will be essential to Indonesia's ongoing economic growth.

The ECP will support three end-of-program-outcomes (EOPOs) by 2025:

- 1) **Greater Market Access** by maximising the benefits of IA-CEPA commitments for Indonesian and Australian businesses, and supporting increased two way trade and investment;
- 2) **Better Integrated Markets** between Indonesia and Australia, by fostering new economic partnerships and supporting gender equality, private sector engagement, and cooperation on the standards and conformance ecosystem;
- 3) **Enhanced Labour Market Skills** for Indonesian businesses and government, boosting productivity, gender equality and social inclusion.

It should be noted that unlike traditional development programs, the ECP's initial work program had been guided by a number of commitments and suggestions made during the course of negotiations. These have been assessed, developed and costed as set out in the proposed outcomes summarised below, and **initial activities envisaged under the ECP are more fully described at [Annex 6](#).**

1. Greater Market Access

Despite close engagement and trusted relations between Australia and Indonesia in a number of areas the level of trade, investment and economic partnership between the two countries remain relatively limited. A relatively small number of Australian companies have a presence in Indonesia and few Indonesian firms operate in Australia.²³

Low levels of market access reflect a range of factors, including barriers to trade and investment, language and cultural barriers and a limited understanding of respective market opportunities. A range of efforts and programs exist to address these gaps, including the strong relationships established through Austrade and DFAT, including its flagship economic partnership program PROSPERA. IA-CEPA provides a new opportunity to build on these efforts, by significantly lowering barriers to trade and investment.

Even after IA-CEPA implementation, Australian and Indonesian businesses will still face a range of trade restricting, technical and informal/cultural barriers that will continue to impact upon trade and investment flows. It will also be important to engage on future measures that may not conform with IA-CEPA commitments. Accordingly, the ECP will support the implementation of IA-CEPA with a focus on trade facilitative technical assistance to ensure the benefits are maximised for the mutual benefit of both countries. It will also seek to identify new opportunities in

²² Australian Government, Gender equality and women's empowerment strategy, February 2016. Page 10, 13.

²³ Austrade have referenced between 400-500 Australian companies operating in Indonesia, being fairly stagnant over the last decade.

the global economy where deeper engagement would bolster Australian/Indonesian complementarity, in sectors from the digital economy to creative industries.

The ECP's 'Core Business'

Supporting the full implementation of IA-CEPA, and ensuring that the outcomes of the agreement are maximised, for mutual benefit, will be the **'core business' of the ECP**. Following establishment of the ECP's functional services, including the Secretariat function for the ECC, and facilitating an Industry Engagement Advisory Group, this activity will feature four workstreams — (i) implementation, (ii) socialisation (iii) opportunity assessments and (iv) monitoring, evaluation and learning. All workstreams will have access to a range of tools including expert studies, exchange of officials involved in trade regulation and advocacy/industry engagement, short-term embedded officials in trade-related Ministries (including Indonesian officials in Australian agencies), and direct regulatory design and drafting advice. A substantial focus of this activity will be assisting the sub-national level of Government in Indonesia to better 'localise' IA-CEPA.

The **implementation workstream** will commence with a needs assessment for regulatory implementation of IA-CEPA. This will examine an appropriate modality for engagement between Australia and Indonesia on full implementation of key commitments in goods, services and investment commitments (including administration of Tariff Rate Quota arrangements), and broader commitments on a chapter-by-chapter basis.

Socialisation activities will build awareness of IA-CEPA benefits and maintain support among industry groups through the multi-year implementation period. The ECP will support three functions to help with socialisation of IA-CEPA: (i) technical advocacy, such as 'fact sheets' on industry sectors to support line agencies in representations to their stakeholder groups, (ii) business dialogue, such as workshops and seminars focused on outcomes and opportunities for Indonesian sectoral groups, and (iii) IA-CEPA localisation, where specific opportunities for provincial economies exist, commencing where Australia's Consul-Generals are located (Bali, Surabaya and Makassar).

Opportunity Assessments will examine which economic sectors present the greatest mutually beneficial prospects in the coming 5 to 20 years, and will propose strategies for deeper engagement. Economic sectors that offer 'powerhouse' prospects²⁴ will be prioritised such as in Indonesia's rapidly developing digital services industry and capital market linkages.

The **monitoring, evaluation and learning (MEL) workstream** is an important core component of the ECP. It supports decision-making, outcomes monitoring and accountability. It will monitor and evaluate IA-CEPA utilisation and the impact on trade flows, the contribution IA-CEPA makes to broader economic and social outcomes, including in partnership with Gol (with Bappenas as lead) as it seeks to strengthen Indonesia's measurement and reporting on the impact and value of open trade policies. The ECP's 'core business' will also develop a base of data, analysis and experience to inform officials and industry on prospects for deeper and more effective engagement during the initial five year ECP, and in the lead-up to the review of IA-CEPA itself.

2. Better-Integrated Markets

For IA-CEPA to bring about a step-change in the bilateral economic relationship, the two countries' private sectors and markets will need to be more closely engaged and more deeply integrated. IA-CEPA provides Australian and Indonesian businesses with an opportunity to expand and diversify the bilateral economic relationship. The ECP will play an important role in facilitating this.

Better market integration will be principally achieved through fostering broader and deeper sectoral partnerships. Activities to achieve this (see 'Signature Activity' box below) will include new dialogue, exchange, training and research in agriculture, advanced manufacturing and services (including health). Cross-cutting limitations on better integrated markets, such as different standards and conformance, corporate governance, food processing and packaging standards, vitamins and supplement standards will be assessed for better alignment to support trade and investment.

Signature activity: Agrifood Innovation Partnerships

The ECP will support closer economic cooperation through Agrifood Innovation Partnerships in priority sectors, beginning with a new partnership in the grains sector and later in other sectors such as horticulture. Agrifood

²⁴ The Australia-Indonesia 'powerhouse' refers to activities in which Australian and Indonesian inputs lead to trade outcomes in global markets.

Innovation Partnerships will collectively provide an avenue for Australian and Indonesian agricultural and food industry firms, value chains and industry associations to deepen relationships, facilitate innovation and integration of markets, and support investment and trade.

There is significant potential to expand two-way trade and for value-added processing of agricultural products in Indonesia for export to third country markets. Success will involve working together to identify and reduce specific non-tariff measures that restrict trade in agricultural products and responding to technical requirements.

Based on extensive industry consultation in Australia and Indonesia, the Grains Partnership is a strategic initiative to create deeper relationships across grains value chains for the mutual benefit of Australia and Indonesia. The partnership will support productive capacity for Indonesia alongside enhanced trade outcomes for industry through grains value-chain leadership programs, train-the-trainer programs focused on Indonesian SMEs in the baking **sector, a standards and conformance component and better industry** production forecasting. It will also assist in capacity building for the feed mill industry in Indonesia, with a focus on expanding local poultry, aquaculture and cattle industries with enhanced animal health outcomes, noting that IA-CEPA provides improved access for feed grain imports from Australia for the first time.

3. Enhanced Labour Market Skills

McKinsey Global Institute (MGI) estimates that by 2030 Indonesia will need 113 million skilled workers, a significant increase in the 57 million skilled Indonesian workers available in 2016. To fill this skills gap, an additional 3.7 million skilled workers are needed each year.

Skills are needed across all sectors. For instance, the Indonesia tourism industry currently employs 12.8 million people and is expected to grow to 15 million by 2024.²⁵ In digital industries, Indonesia needs 9 million skilled workers by 2030.

To address this challenge the Government of Indonesia has made human capital, and TVET in particular, a priority of the Government. In September 2016, President Joko Widodo released a special decree on the revitalisation of vocational education. Further, President Joko Widodo recently announced a new pre-employment card (*Kartu Prakerja*), which will allow people who have lost their job to seek subsidised training for upgrading or reskilling.

IA-CEPA provides new opportunities for closer partnership, trade and investment in skills and training between Australia and Indonesia. The ECP will support enhancing Indonesia's labour market skills through catalysing partnerships that bring Indonesian firms together with Australia's high quality Technical Vocational, Education and Training (TVET) sector providers. This will support Indonesia's goal of building human capital, while exploring the regulatory impediments and other barriers to greater skills engagement between Australia and Indonesia.

Signature activity: Co-Investing in Skills and Training

The ECP will support greater partnership in technical vocational education and training (TVET) between Indonesian industry and Australian TVET providers. The activity will connect Indonesian employers to high quality skills and training, addressing a major constraint to growth and productivity in Indonesia. This activity will contribute to the goal of increasing productivity, competitiveness and innovation in Indonesia through skills development of the workforce, through the identification and development of industry demand-led, commercially sustainable skills and training opportunities.

The ECP will convene Indonesian Industry Committees in the priority IA-CEPA sectors of tourism, agriculture and the digital economy (services), among others including the health sector, advanced manufacturing and other industries over time. The Industry Committees will consist of major employers in those priority sectors and existing industry bodies. The Industry Committees will identify major skills gaps in their sector, develop courses and identify innovative delivery models for training with the support of TVET experts funded by the ECP. The Industry Committees will ensure courses are demand driven and designed to meet the specific skills needs of Indonesian employers.

The ECP will also establish a TVET Clearinghouse. The Clearinghouse will facilitate procurement and partnership between Indonesian Industry and Australian TVET providers to meet the skills needs identified by the Indonesian Industry Committees. The TVET Clearinghouse will address the gap in information flows between Indonesian industry and Australian providers, build connections and partnerships, and support the delivery of commercially

²⁵ *Program Strategis*, Indonesia Ministry of Tourism and Creative Economy.

viable training programs.

The above three outcomes will be achieved across priority sectors identified under the IA-CEPA. These have been broadly grouped to cover agrifood, advanced manufacturing and services, being sectors prioritised as part of IA-CEPA and presenting major opportunities to support Indonesia’s growth and development goals. The ECP will deliver activities in industries across the abovementioned sectors where they contribute to one or more of the three outcome areas. The program logic is summarised at [Annex 1](#). The program logic is further developed across the priority agrifood, advanced manufacturing and skills sectors in [Table 1](#) below. The framework also embeds gender and social inclusion, private sector engagement and digital innovation, as priorities of the Australian and Indonesian Governments. Cross-cutting priorities are discussed in [Section G](#). Proposed initial ECP activities are detailed in [Annex 6](#), with the proposed first Annual Work Plan provided at [Annex 2](#).

Table 1. Proposed Framework for Prioritising IA-CEPA Economic Cooperation Activities

OUTCOME AREAS	Activities in the following sectors should...		
	Agrifood	Advanced Manufacturing	Services
<p>Greater Market Access: Implementation and Maximisation of IA-CEPA Commitments</p>	<ul style="list-style-type: none"> Support legal and regulatory implementation of commitments on goods, services and investment under the IA-CEPA, to catalyse increased trade and investment between Australia and Indonesia. Socialise the value of open trade and investment, demonstrating the benefits of IA-CEPA. Assess prospects and potential sectors for deeper engagement. Evaluate the utilisation and impact of IA-CEPA in both directions. 		
<p>Better Integrated Markets: Industry Engagement Fostering of Partnerships Cooperation on the Standards and Conformance Ecosystem</p>	<ul style="list-style-type: none"> Focus on specific sectors of unique bilateral economic opportunity. Be demand-driven and have the potential to impact the broader sector. 	<ul style="list-style-type: none"> Establish an Indonesia-Australia Advanced Manufacturing Dialogue and Forum. Deliver a scoping study on component and precision engineering in the design of an electric vehicle in Indonesia. Support the development of partnerships between Australian and Indonesian industry to deliver mutual benefits in the advanced manufacturing sector. Scope other advanced manufacturing complementarities. 	<ul style="list-style-type: none"> Enhance Indonesia's standards ecosystem in collaboration with BSN. Deliver services sector standards analysis e.g. health: Vitamins and Supplements where opportunities exist for trade and investment if standards are aligned.
<p>Enhanced Labour Market Skills: Skills Development</p>	<ul style="list-style-type: none"> Facilitate Australian TVET providers partnering with local Indonesian employers and training institutions through Industry Skills Clearinghouses in priority bilateral sectors. Deliver pilots of innovative education models (including EdTech) to address skills gaps in priority bilateral sectors, with co-investment of partners. Contribute to structural reform of the Indonesian TVET sector through research, shared lessons and evaluation of TVET pilots. <p>Deliver a train the trainer Agrifood course in support of the Grains Partnership. The course will focus on the use of different quality grains to support value adding in Indonesia’s food industry for the domestic and export food market; training will be delivered through existing training institutes linked to Indonesian mills.</p>	<p>Support partnership between Indonesian industry and Australian TVET and services providers to address skills gaps in advanced manufacturing such as, engineering and maintenance, which could complement other IA-CEPA activity and support broader partnerships in advanced manufacturing.</p>	<p>Expand training partnerships between Indonesian tourism and digital services sector, and potentially the health sector through blended training and online training models, in a multi-year partnership, delivering a skill-based course developed to meet industry needs.</p>
Cross-Cutting Areas	Gender and Inclusion + Private Sector Engagement + Innovation		

E. Implementation Arrangements (How will DFAT engage in the partnership?)

An innovative delivery model — the establishment of a Collaborative Hub for the delivery of IA-CEPA economic cooperation activities - has been developed to deliver the ECP. The Collaborative Hub will report to and support the Economic Cooperation Committee (ECC) (established under the IA-CEPA), collaborate with existing DFAT programs and facilitate the delivery of an agreed work program of activities. The Collaborative Hub will unify diverse activities under the ECP (across agriculture, advanced manufacturing and services) through its annual planning process, collaborative implementation model and MEL framework.

Alternative delivery mechanisms were considered, including establishing a new facility or integrating the ECP into an existing program. The proposed Collaborative Hub was selected by DFAT delegates in October 2019²⁶ as it achieves DFAT's requirements for value for money through shared services and avoids duplication of existing program mandates, while providing a clear delivery mechanism for the delivery of the IA-CEPA commitments on the ECP. The decision by delegates also considered market feedback on the delivery mechanism solicited through the DFAT website in early October 2019²⁷.

The following section sets out the proposed Collaborative Hub structure, governance arrangements, organisational structure, shared services model, guiding principles, annual work program and procurement processes.

A Collaborative Hub

Consideration has been given to a range of delivery options given the unique relationship between the ECP and IA-CEPA. The delivery mechanism needs to cover diverse areas, including trade and investment, skills, education, infrastructure, agriculture, food processing, professional services and financial services, amongst others. In some of these areas, existing bilateral development programs are in place. Accordingly the delivery model must complement and collaborate with existing bilateral and regional trade and development efforts, such as in:

- Economic governance (the Australia-Indonesia Partnership for Economic Development (PROSPERA));
- Australia Indonesia Partnership for Promoting Rural Incomes through Support for Markets in Agriculture;
- Partnerships and trade promotion through Austrade;
- Delivery of short courses and training through the Australia Awards;
- Research through the Australia-Indonesia Centre (Monash) encompassing Skills Futures, the Digital Economy, and Partnership for Australian and Indonesian Research (PAIR); and education (Technical Assistance for Education Systems Strengthening (TASS)); and
- Supporting women's economic empowerment and challenging gender norms through skills and training efforts, in partnership with Investing in Women.

A Collaborative Hub is the proposed delivery model for its ability to connect ECP activities with other relevant DFAT investments and adopt a whole of government approach and other external partners. Further, the Collaborative Hub provides an 'entry point' for those seeking further engagement or collaboration with the IA-CEPA and ECP activities. The Collaborative Hub also provides an avenue for ongoing public outreach and stakeholder engagement to promote understanding and support of IA-CEPA. This will be achieved through a dedicated website, reports and information material, ongoing dialogue with other IA-CEPA committees, counterparts and the private sector.

Collaboration will be achieved through both formal and informal mechanisms, including:

- The **establishment of the Collaborative Hub**, resourced to respond to requests from the Governments of Indonesia and Australia for activities, which support implementation and the achievement of IA-CEPA. The Collaborative Hub is mandated to work with existing DFAT investments and other partners, contracting with appropriate expert partners for discreet ECP activities. Resourcing will be provided to delivery partners for these specific activities.
- **Formal meetings** will be convened on a quarterly basis by **DFAT's Senior Responsible Officer** (discussed under resourcing), bringing together existing DFAT investments with the Collaborative Hub to coordinate requests for IA-CEPA related support and update on activities. These meetings will ensure all stakeholders are engaged and aware of requests and work plans, support dialogue on activities and opportunities, share lessons and complementarities between programs, ensure any probity issues are addressed and avoid duplication of effort.
- **Informal meetings** will take place on a regular basis between the Collaborative Hub and existing DFAT investments on specific activities. These meetings will ensure all stakeholders are engaged in activities; that existing capabilities are utilised where appropriate; and value for money is achieved across DFAT investments.

²⁶ Delegates (Post: DHOM, Canberra: FAS SED) approved the Collaborative Hub Model in October 2019

²⁷ Approach to market for preliminary feedback on the Investment Concept appeared on <https://dfat.gov.au/about-us/business-opportunities/Pages/proposed-program-in-indonesia-ia-cepa-ecp-investment-concept.aspx> from 1 October 2019.

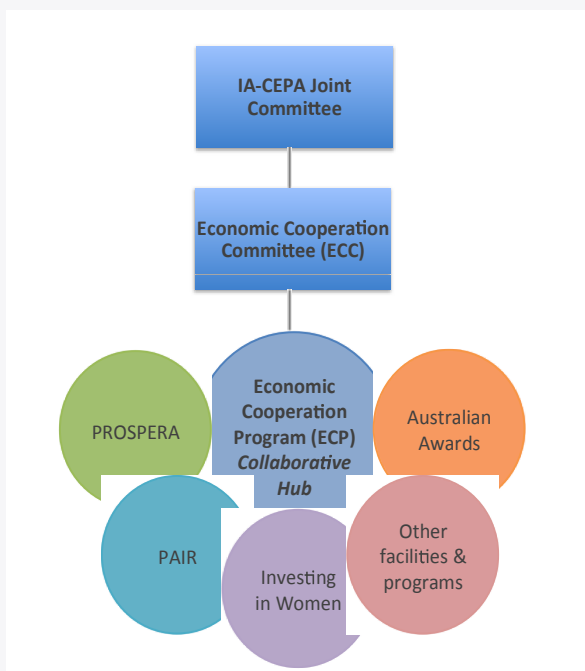
- **Examples of collaboration** could include Austrade and PROSPERA’s Financial Markets Engagement team coordinating dialogue on strengthening linkages between Indonesian fast-growth digital services firms and Australian capital markets; and training on skills content development being coordinated with the Australian Department of Education, Skills and Employment.

The Collaborative Hub model ensures a dedicated resource is available to deliver the ECP, **reduces the risk of duplicating effort while utilising existing skills and relationships**. The model expands available resources by drawing on existing albeit dispersed capabilities, to provide for faster scale-up and roll-out.

Existing programs and facilities would be incentivised to collaborate with the Collaborative Hub as new activities are funded from the ECP program, boosting resources for existing programs. The activities will attract high-level Australian and Indonesian Government support (via the ECC and IA-CEPA Joint Committee), boosting relationships and opportunities to advance existing DFAT investment mandates. Activities will be designed to complement existing DFAT investments and objectives, thereby strengthening their own deliverables and performance. Activities will be jointly reported for MEL purposes, as part of the ECP annual reporting requirements and existing DFAT investment reporting. The appropriate delivery partner for approved ECP activities will be guided by:

- **Scoping of available delivery options:** The Collaborative Hub will consider the options of direct delivery by the Collaborative Hub; delivery by an existing DFAT investment; or contracting another external partner, and make a recommendation to the ECC Joint Committee as part of the Annual Work Plan process.
- **No-conflict or compromise:** Where delivery by an existing DFAT investment is recommended, DFAT must be satisfied that the activity does not conflict or compromise the existing investments mandate or raise probity issues; will achieve value for money; and is agreed to by the existing investment. Delivery arrangements will be formalised in a Memorandum of Understanding (or similar) outlining scope of works, resourcing and roles between the Collaborative Hub and existing DFAT investment. Governance and administrative arrangements are discussed further below.

Diagram 2. Governance and oversight of the Collaborative Hub and delivery partners



Organisational structure

The Collaborative Hub, located in Jakarta, will be led supported by an efficient **shared services model**, discussed further below. The leadership team will be constituted through the competitive tender process.

Shared services

The Collaborative Hub will maintain a strong identity and management, but will utilise **‘shared services’ to perform core technical services** (related to IA-CEPA implementation) and a range of ‘back office’ and limited technical functions. Given the scale of existing program and facility activities in Indonesia, opportunities exist to draw on

available operational and technical capabilities across development cooperation programs in Indonesia. Areas to be delivered as shared services include:

- human resources: recruitment and staff management to be provided by shared service provider's existing HR function;
- office space: will be located near or next to an existing facility or program but would have its own office space;
- logistics, accounting, project management and other administrative support: leveraging shared service provider's existing functions;
- IT capabilities: extension of IT infrastructure but separate closed networks;
- cross-cutting technical teams including monitoring, evaluation and learning; gender equality and social inclusion (GESI) capabilities; communications; and
- for the core business of IA-CEPA implementation, regulatory navigation experience and existing networks in Indonesia in the economic, trade and investment sectors.

The shared services model would be secured through the Australian Government's normal procurement process. The tender would invite bidders to consider utilising existing operational and technical capabilities in existing facilities in Indonesia that could reduce the cost of delivery of the Collaborative Hub.

The Collaborative Hub model represents value-for-money by drawing on existing resources and programs where appropriate. The Collaborative Hub involves fewer overheads than establishing an entirely new program or facility and will enable substantive work to commence at an earlier stage.

Governance arrangements

The role of the Collaborative Hub will be to support the Economic Cooperation Committee (the ECC)²⁸ to design and deliver activities consistent with an Annual Work Plan agreed between Australia and Indonesia. This is likely to involve the following duties, subject to instructions by the ECC:

- Prepare an Annual Work Plan for the ECC (informed by this design process)²⁹ to submit for consideration and approval by the Joint Committee, after coordination of activity proposals (refer Annual Work Plan below);
- Implement the Annual Work Plan, including through direct delivery, working with existing programs and/or procuring or sub-contracting other delivery mechanisms, including industry involvement, as outlined above;
- Work with other IA-CEPA committees to establish and maintain effective communication and coordination on economic cooperation activities; and
- Undertake comprehensive monitoring and evaluation throughout the program with annual performance reporting to the ECC.

The Collaborative Hub would be staffed to act as secretariat to the ECC, as well as having the technical capacity to deliver some activities itself or manage activities delivered in collaboration with existing programs and facilities.

As set out in the IA-CEPA Economic Cooperation chapter, the ECC shall be jointly chaired by Australia and Indonesia. Final approval of the ECP Annual Work Plan will be a Joint Committee decision following consideration by the ECC.

The Government of Indonesia, through its representative on the ECC (which is likely to be Bappenas), will be responsible for **working with DFAT to have a Subsidiary Agreement supporting the ECP in place**, a requirement of the Government of Indonesia, prior to the commencement of activities. To ensure efficient implementation of the ECP, Bappenas will have responsibility for Development Budget Reporting (known as 'BAST') compliance and reporting for all ECP activities.

The Collaborative Hub will have scope to accept both official development assistance (ODA) and potential non-ODA funding, depending on the nature of the proposed activity. All activity proposals will need to demonstrate compliance with ECP objectives.

Coordinating Australia's Whole-of-Government Approach to the ECP

The nature of the ECP being a largely Australian ODA funded program tied to a bilateral trade agreement and formally reporting to a series of treaty-established committees under IA-CEPA requires a **coordinated approach to managing Australia's interests**. Diagram 3 below depicts the coordination of Australia's oversight of the ECP.

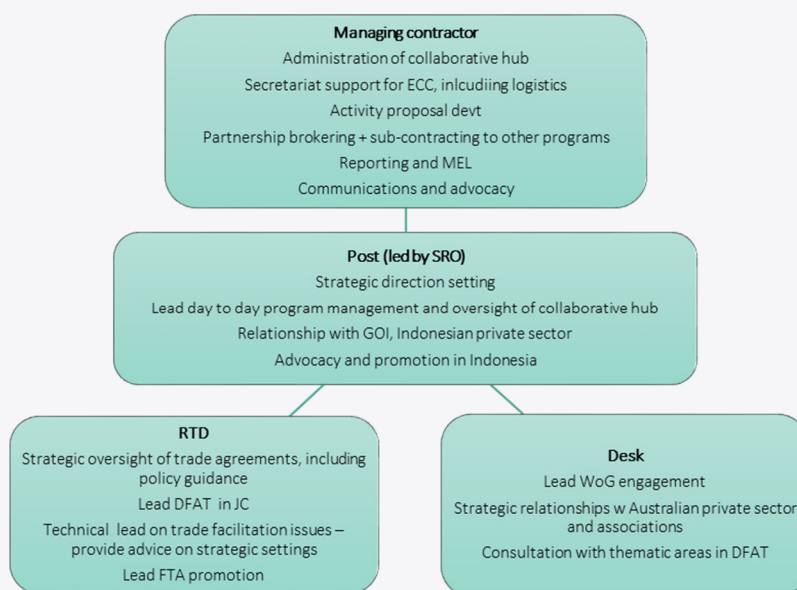
²⁸ As provided in the IA-CEPA Economic Cooperation Chapter text, Article 15.3.

²⁹ The first Annual Work Program will be developed by the design team.

Australia will be represented on the ECC through DFAT Jakarta Post at the Deputy Ambassador level (or their delegate as appropriate), ensuring a broad understanding of the bilateral development program and the bilateral economic relationship. Australia’s Deputy Ambassador would also act as the **Senior Responsible Officer (SRO)** for the ECP, to coordinate the views of Australian Government stakeholders into a single voice regarding the operation of the Collaborative Hub.

The SRO will have oversight of the Managing Contractor of the Collaborative Hub, which implements the ECP. The SRO will play a critical role in coordinating the views of the three key Government stakeholders in the ECP, being DFAT Canberra, Jakarta Post, and the Regional Trade Division. Through at least **monthly meetings between the Managing Contractor, Jakarta Post, DFAT Canberra and the Regional Trade Division**, the SRO (or their delegate as appropriate) will ensure that the Managing Contractor is effectively pursuing Australia’s economic diplomacy objectives, while also ensuring high-quality technical trade/investment inputs are made.

Diagram 3. Roles and Responsibilities



Guiding Principles

The ECP will adopt a flexible approach to deliver activities that support Australia’s commercial and economic diplomacy agenda and Indonesia’s economic reform outcomes. Each activity will be selected noting the objectives of ECP; to encourage implementation, support trade facilitation, and Indonesia’s economic reform agenda.

To guide the design and selection of activities under the ECP, the following overarching principles are proposed:

- **Maximises the outcomes of IA-CEPA:** activities should be tied to the outcomes of the IA-CEPA in goods, services and investment. Activities should seek to maximise IA-CEPA outcomes;
- **Aligned to bilateral and regional interests:** activities should align with and not duplicate Australia’s existing bilateral or regional economic objectives;
- **Mutually beneficial:** activities should further trade and investment outcomes that are mutually beneficial. This will also reinforce the ‘Australia-Indonesia powerhouse’ idea,³⁰ where Australian and Indonesian inputs secure trade outcomes in their mutual interest in global markets;
- **Politically feasible and practical:** activities that are feasible (factoring in available budget and time) and are supported by relevant government and private sector counterparts;
- **Reflects parties’ comparative advantage:** activities that align and build-on Australian capabilities and expertise, and not duplicate what other countries might do as part of their economic cooperation activities;
- **Prioritises catalytic outcomes:** where possible, and reflecting resource constraints, prioritise activities that have the potential for a strategic, systemic impact (beyond just the immediate stakeholders). This will require that activities are demand-driven (as tested by stakeholder consultations), and could include activities that signal broader opportunities to the wider industry and that support regulatory reform; a portion of funding for these activities will be dedicated to socialisation of outcomes; and

³⁰ See, for example, https://trademinister.gov.au/speeches/Pages/2019/sb_sp_190304.aspx

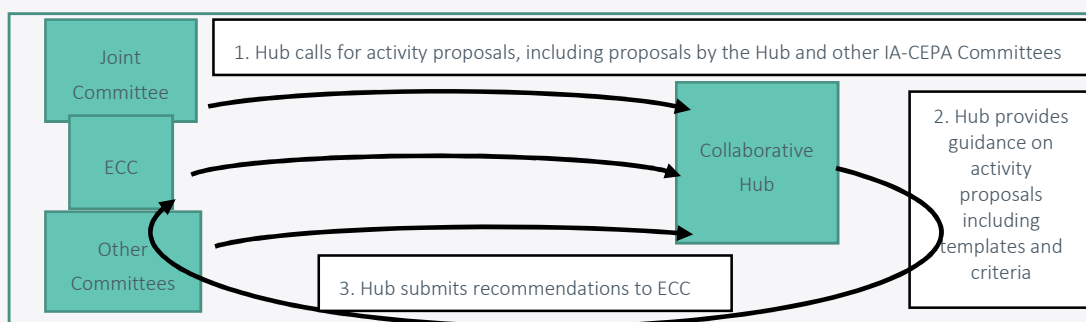
- **Co-contribution:** the ECP is open to both Australian and Indonesian Government contribution of funds, technical capabilities, and in-kind support. The ECP will also actively encourage the contribution of activity-linked private sector funding, which underscores the importance of industry engagement to the success of the ECP. It is therefore a ‘hybrid’ programming approach — it may utilise both ODA and non-ODA funds.

Annual work plan

As summarised in the diagram below, the process for formulating the Annual Work Plan for consideration by the ECC will include the following steps³¹:

1. **Scoping and review:** The Collaborative Hub will begin the annual activity planning process with a review of existing activities, identification of gaps in the implementation of IA-CEPA and workshop with DFAT, Bappenas and existing DFAT programs to identify potential gaps.
2. **Activity proposals:** The Collaborative Hub will invite activity proposals through the co-chairs of the IA-CEPA Joint Committee, and subsidiary committees. The ECP may wish to notify dates and templates for submission of activity proposals through the co-chairs, which may be developed in partnership with the Collaborative Hub or other partners and DFAT investments. The Collaborative Hub will help shape and prioritise activity proposals proposed by co-chairs of the IA-CEPA Joint Committee or subsidiary committees, liaising with technical officials from the relevant IA-CEPA committee.
3. **Outcomes assessment:** The proposals will be prioritised against the Outcomes Framework, the program activity criteria, alignment with IA-CEPA priorities and prioritised according to available resourcing. The Collaborative Hub will prepare briefing material and recommendations to the ECC.
4. **Annual Work Plan:** The ECP will present a recommended Annual Work Plan for consideration by the ECC and finally the IA-CEPA Joint Committee’s approval.

Diagram 4 – Annual Work Plan Development



To aid early implementation of the ECP following ratification, the design team has prepared a proposed annual work program for the first 12 months of the program (see [Annex 2](#)).

Given resource limitations, not all of the indicative sectors identified in IA-CEPA negotiations and side-letters can be delivered in the first 12 months. In order to build substantial outcomes from the ECP, the first annual work program lays the foundation to achieve the defined outcomes over the initial five-year timeframe and scope to incorporate other activities that align with IA-CEPA and the Indonesian and Australian Government priorities in future years. **Through a substantial portion of funds allocated to outcomes, but not yet to specific activities,** the associated budget anticipates that the ECC will consider new priority activities as the ECP progresses.

F. Monitoring and Evaluation (How will DFAT measure performance?)

The purpose of the monitoring, evaluation and learning (MEL) system is to:

- 1) Provide the mechanism to evaluate the performance of ECP implementation, based on the proposed program outcomes. Monitoring and evaluation need to be able to inform decision makers on the extent to which implementation is delivering these outcomes.
- 2) Ensure mutual accountability for the use of ODA funding and delivering value-for-money in the choice and implementation of activities.
- 3) Support decision makers to ensure Australia and Indonesia make informed strategic choices about the selection of activities to achieve intended outcomes.

³¹ Consistent with Article 15.4 of the IA-CEPA Economic Cooperation Chapter.

- 4) Develop cost-effective and practical processes to ensure the ongoing review and reporting of activities and results, assessment of risks, learning and continuous improvement.

The key components of ECP's MEL system, including the MEL Results Framework and Key Evaluation Questions are provided at [Annex 3](#).

The MEL system also supports the communication and advocacy functions of the Collaborative Hub to build strong partnerships, support ongoing collaboration and facilitate evidence-based decision-making. It will be designed to support soft power objectives by providing compelling evidence that improvements in trade and investment between Indonesia and Australia will improve social and economic conditions for its citizens.

The ECP MEL system will be developed to work closely with other DFAT programs to ensure alignment of reporting on progress towards outcomes, ensure positive feedback loops are established and the contribution of each program is recognised. Adopting the Hub model will place greater emphasis and requirements on MEL to adequately measure performance across the range of activities and partnerships. This is broader in scope than conventional bilateral delivery models. A 'help desk' function will also be provided to Bappenas and other DFAT programs to standardise reporting and aggregation of indicators under DFAT's Performance Assessment Framework, to help deliver accurate and timely information about performance, programming and risks.

Levels of Performance Monitoring

Due to the nature of the Collaborative Hub implementation model the MEL system will need to operate at three different levels to measure performance and support decision makers:

1. **Programmatic level:** This requires an analysis of progress towards intended end of program outcomes (EOPOs) based on aggregated and cumulative performance data across all activities supported by ECP. This function supports both (1) strategic decision making in terms of whether the ECP activities are having a catalytic effect and working in synergy with other Australian and Indonesian interventions to achieve EOPOs, and (2) management decisions on whether the model represents the most efficient and effective mechanism to deliver results. Accountability and value for money is demonstrated through the most efficient and effective use of resources across the program of activities. Analysis and reporting on programmatic level MEL will be the responsibility of the ECP M&E function working with implementing partners and Bappenas. The main evaluation technique used will be contribution analysis which takes into account external factors. Overall reporting of ECP performance will be done by the ECP monitoring and evaluation function in line with DFAT's Aid Quality Check (AQC) criteria.
2. **Partnership level:** This requires an analysis of the effectiveness and health of Australian-Indonesian partnerships across all sectors being supported by ECP. A key outcome of ECP will be the extent to which IA-CEPA implementation can deepen and strengthen industry partnerships to sustain the benefits. The ECP intends to position and maintain Australia as a trusted partner and strong ally of Indonesia. The MEL system will include key performance indicators (to be determined) to track the strength and health of industry partnerships associated with increasing and sustaining two-way trade and investment. This will be the responsibility of the ECP M&E function using annual partnership surveys and key informant interviews.
3. **Activity level:** All activities funded by ECP will be monitored and evaluated for quality of outputs, value for money, and contributions towards program outcomes according to each of the sectors. Each funded activity will include requirements in their terms of reference for a monitoring and evaluation component to report on performance. **This should amount to approximately 5% of the total budget for each activity.** KPIs will be stipulated for each activity to allow for aggregation of results at the programmatic level. Each funded activity (or group of related activities) will require a program logic model to demonstrate contribution to outcomes. Reporting at the activity level will be overseen by the ECP M&E function with each implementing partner being responsible for reporting against the terms of reference for the activity using standard project management approaches. Data at activity level will be disaggregated for location, sector and gender where appropriate.

The Collaborative Hub will be responsible for reporting to government and industry satisfying program quality processes of both Governments and communicating results to the public and other stakeholders.

The Government of Indonesia's nominated agency (Bappenas) should be closely involved in developing the monitoring and evaluation framework. ECP will work with Bappenas to jointly research and develop approaches that can assess the contribution ECP and IA-CEPA make to economic and social development through relevant line Ministries' KPIs incorporated in the medium-term development plan (RPJMN). The ECP will also assess key metrics such as trade utilisation and the impact of the IA-CEPA in creating new trade opportunities. In this regard IA-CEPA

FTA contribution analysis will be used as a pilot project. This innovation would have ongoing application to the Indonesian and Australian Governments to evaluate and demonstrate the value of trade agreements. Positive results will contribute to soft power objectives.

The approach to gender equality MEL and social inclusion will go well beyond just monitoring training participation levels. A gender and social inclusion lens will be applied to all supported activities and where practical evaluation approaches will be used to assess policy influence, management influence, partnership influence and economic drivers to achieve systemic change. A case study approach will be adopted to clearly demonstrate outcomes in these areas. MEL data will be disaggregated by disability and gender, drawing on the wide range of existing tools.

Key Performance Indicators (KPIs)

KPIs are critical in determining which activities receive the attention of decision makers, given they are intended to reflect the achievement of intended outcomes. The availability and quality of data used in reporting therefore plays a decisive role in achieving program outcomes. KPIs and targets need to be carefully selected and fit-for-purpose at each level. KPIs are aligned with the program logic model in order to determine whether progress is being made, track major achievements, and to monitor how these are contributing to the end of program outcomes. These ensure that there is a direct line of sight between the activities conducted by implementing partners, and the intended end of program outcomes. KPIs to measure progress towards intended outcomes are included in the MEL Framework in [Annex 3](#).

In terms of the operational performance of the ECP and the Collaborative Hub model, there are seven key operational and management indicators that will be tracked over the course of the program:

1. **Ratio of Management to Activity Costs** — this measures the overheads against activities delivered. Operational costs of less than 30% will be targeted to maximise delivery of activities.
2. **Actual versus planned activities and expenditure** — this tracks contractual performance and expenditure of funded activities under each sector.
3. **Number and nature of new tasks, innovations, opportunities and requests for assistance** — this monitors requests for services (unplanned) from government, the private sector or other stakeholders, to understand the impact on resources while maintaining flexibility.
4. **Output type, cost and quality** — this tracks the quality of outputs according to agreed specifications.
5. **Relative contribution of outputs to achieving outcomes** — this maps the contribution of funded activities to progressing intended outcomes (intermediate or end of program). It tracks resources allocated to achieving outcomes under each sector.
6. **Risks and safeguards** — this is a monthly management tracking device to closely monitor risks and mitigation measures, including partnership relationships and media.
7. **Major event tracking, externalities and policy monitoring** — this will track external events that may have a positive or negative impact on the program but are beyond the control of the program. This aids in evaluating progress and understanding any unforeseen circumstances (e.g. changes in government policy or direction; natural disasters; or changes in leadership).

Reporting and Learning Cycles

Performance reports will be produced by the ECP every six months, summarising progress towards intended outcomes, key achievements, lessons learned and recommended improvements. It is anticipated that these reports would be shared with the ECC and Joint Committee. Performance will be summarised according to DFAT Aid Quality Check criteria including relevance, effectiveness, efficiency, environment and sustainability, monitoring and evaluation, gender quality and social inclusion, private sector engagement and innovation, risks and safeguards.

Monthly reports will also be produced for management purposes. These will track expenditure as well as the progress and quality of activities, outputs and risks.

As part of the approach to MEL, and to support meaningful collaboration, an annual planning and reflection workshop will be held with key implementing partners. This will be critical, particularly after the first 12 months of implementing a new program. This workshop will be used to evaluate past performance, identify areas of potential alignment with existing programs, and to identify gaps and opportunities that ECP could address. This workshop will be conducted prior to the development of the Annual Work Plan for ECC consideration.

An independent mid-term review (MTR) will be commissioned in 2023 to undertake a formative evaluation. This MTR will focus on the extent to which IA-CEPA is being implemented efficiently and effectively to deliver intended

outcomes, specifically facilitating market access, supporting trade and investment, promoting economic partnerships, and addressing labour market skills requirements.

G. Gender, Disability and Other Cross Cutting Issues

Closing the gender equality gap and supporting greater inclusion in Indonesia and Australia has been integrated throughout the ECP design. The ECP team will include a Gender and Social Inclusion capability that will bring both trade and investment expertise and focus on supporting greater inclusion across the entire program and activities. An early deliverable (first 3 months) will be the development of a gender and inclusion action strategy, informed by the following activities integrated into the first 12-month annual work plan:

Gender Equality

- Opportunities to promote women in trade will be pursued through greater market access and investment in female led businesses and industries. The ECP will apply the UN Trade and Gender toolkit to IA-CEPA and the ECP's program of activities, identifying opportunities to support female led trade and investment in the IA-CEPA priority sectors and for the first time bring a deep analysis of the potential to support gender equality and inclusion through closer economic partnership.
- The ECP will support a partnership between Australia's Chief Executive Women and the Indonesian Business Coalition for Women Empowerment., in partnership with Investing in Women. The partnership will support women in business, including exploring opportunities to support women in non-traditional roles and sectors through skills and training in STEM, where significant trade and investment opportunities exist.
- There is significant potential to increase female labour force participation in agrifood value-chain businesses in Indonesia at all levels. The Grains Partnership will support greater gender equality through the active engagement of women in the baked goods and fresh noodle business sectors, being priority sectors identified during consultations with the Indonesian industry. This activity will seek to collaborate and build on existing efforts in this area, including in Australia by the Women's Gender Equality Agency (WGEA) and in Indonesia through the GRI program funded by DFAT.
- While agriculture and services are currently the major employers of women in Indonesia, significant opportunities exist to address gender gaps in manufacturing through technological advances and rising skills amongst women. The Advanced Manufacturing Industry Dialogue will give priority to manufacturing industries that have the potential to be significant employers of women, such as food processing and nutraceuticals, to improve female employment mobility, representation and leadership in manufacturing.
- All training, exchanges and industry events will seek the participation of female led firms and require at least 50 percent female participants in training and as speakers at events. This will apply to Australian and Indonesian trainers and participants.

Disability Inclusiveness

- The design team is aware of PROSPERA's early efforts to reduce trade and investment barriers in health aids. The Collaborative Hub will look for opportunities to support this activity, including by prioritising efforts to support implementation of IA-CEPA as it relates to the health sector and work on standards and conformance in the health and supplements industries.
- The ECP's Enabling Skills activity will pilot a range of training models that have the potential to improve access to skills and learning for persons with a disability. In particular, online learning and online skills can bring greater opportunities for disability inclusion. Disability groups will be engaged in the development of training programs with industry.
- Business dialogue, training and industry events will seek to include organisations and representative groups from the disability sector. For instance, the Grains Partnership and Advanced Manufacturing Industry Forum will work with organisations that represent people living with disabilities and their carers, to explore opportunities for their participation.

Private Sector Engagement

Private sector engagement is central to the design, delivery model and outcomes of the Collaborative Hub. Extensive private sector consultations have confirmed the strong interest from Australian and Indonesian businesses to be involved and support the goals of IA-CEPA ECP, including the activities proposed for the first annual workplan. Private sector development and engagement is central to all activities proposed for the ECP:

- The ECP's core activity to support the implementation of IA-CEPA will involve extensive private sector

- engagement through research, socialisation, and monitoring and evaluating of IA-CEPA implementation.
- Business dialogues, workshops and seminars will be held to promote IA-CEPA outcomes and opportunities including in through the Agrifood Innovation Partnerships, an Advanced Manufacturing Forum and Industry Skills Clearinghouses for skills development. These dialogues will go beyond traditional stakeholders to include female and young entrepreneur groups, to broaden industry awareness.
 - The ECP will dedicate funding for **effective and measurable industry engagement**. The proposed budget for the 'core business' of the ECP includes funding for a dedicated 'Industry Engagement Advisory Group'. This group, facilitated through the Collaborative Hub, will have two objectives: (i) assist the Collaborative Hub to raise interest, and to increase awareness and engagement with industry groups and firms (with a particular focus on MSMEs) in the sectoral activities of the ECP, and (ii) work with industry groups and firms in the mobilisation of resources (cash or in-kind) for non-ODA components of ECP activities. The Collaborative Hub will set measurable targets for these objectives (including on inclusion of MSMEs) when determining the membership of the Industry Engagement Advisory Group, in consultation with the ECC.
 - IA-CEPA localisation activities will also support opportunities for provincial economies, with fact sheets and information sessions facilitated for local businesses, chambers of commerce and interest groups, commencing in markets where Australia's Consul-Generals are located. The Collaborative Hub will look to work with existing networks, such as the Australia-Indonesia Centre's PAIR program, for these activities.
 - There is significant potential to expand two-way trade and for value-added processing of agricultural products in Indonesia for export to third country markets. The proposed Agrifood Innovation Partnerships will be industry led, such as the initial Grains Partnership and subsequent partnerships, and depend on deep private sector engagement and leadership. The Agrifood Innovation Partnerships will support more resilient industries, with increased trade and investment based on deeper relationships, knowledge and technical skills across value chains.
 - In advanced manufacturing, the ECP will scope private sector complementarities, including exploring an early opportunity to support Indonesia's plans for an electric vehicle through Australia's comparative advantage in precision engineering and lithium battery inputs. A range of private sector providers will be engaged to support advanced manufacturing. Toyota, which is working in partnership with the Governments of Indonesia and Japan to design an electric vehicle, has expressed interest in working with Australian manufacturers. A dialogue will also be convened drawing together government, and the Indonesian and Australian manufacturing sector. The dialogue will bring the private sector together to share experiences in manufacturing, identify needs and opportunities and navigate barriers to partnership, trade and investment. It is proposed that the Advanced Manufacturing Growth Centre (AMGC) be engaged to support the dialogue, given their existing networks and experience driving growth in advanced manufacturing. Indonesian Industry associations would also be engaged in the dialogue. Dialogue will be coordinated with business delegations or major trade events.
 - Standards Australia will be engaged to update the 2015 Standards Report, developed and delivered in collaboration with BSN. This work will involve overarching research, consultations, standards/conformance infrastructure mapping and capacity building to strengthen the standards and conformance ecosystem in Indonesia for advanced manufacturing. This work is an important enabler for private sector development, trade and investment and deeper partnerships between Australia and Indonesia.
 - The ECP will support greater partnership in technical vocational education and training (TVET) between Indonesian industry and Australian TVET providers. The activity will connect Indonesian employers to high quality skills and training, addressing a major constraint to growth and productivity in Indonesia. This activity will contribute to the goal of increasing productivity and innovation in Indonesia through skills development of the workforce, being critical to private sector development in Indonesia. The Australian Government has committed to position Australia as a world leader in delivering quality vocational education and training (VET), with the launch of the VET International Engagement Strategy 2025.³² The ECP will seek to build on this strategy in partnership with groups such as the Australia-Indonesia Centre to support Australia and Indonesia's mutual interest in a thriving market for quality skills and training.
 - The private sector will also contribute to the ECP through financial and in-kind contributions. Industry groups, such as the grains industry, have already committed significant funding to support closer economic partnership with Indonesia. Similarly, private sector support will be sought for other activities such as the training courses and programs with Australia's Registered Training Organisations (RTOs). A number of activities involve the promotion of market access and investment in priority sectors, with significant potential

³² <https://ministers.employment.gov.au/cash/australia-takes-lead-training-and-skilling-global-workforce>

to generate economic returns and growth. The design incorporates commercialisation activities that have the potential to achieve a financial return and support the sustainability of this investment.

Innovation

The ECP design has adopted a range of innovations to achieve program effectiveness, value for money and advance development practice.

An innovative development model — from development partner to trusted partner

Consistent with DFAT's policy of advancing mutual interests and development outcomes, the ECP adopts a considered approach to supporting trade and investment, as a driver of private sector development, while aligning support to development outcomes including economic growth, social inclusion and skills development. Each investment is required to meet the criteria of advancing economic cooperation and aligning with Indonesia's development needs (where ODA funding is being used).

Examples of this include the proposed Grains Partnership, which has the potential to support immediate trade opportunities while also building capabilities and value-adding opportunities for Indonesia, including for domestic consumption and export to third markets, being priorities for the Indonesian Government. Similarly, supporting closer partnership between Australia's high-quality TVET sector and Indonesia's industry, helps Indonesia' meet its skills gap in the short and medium term, while informing longer-term structural reform needed to boost Indonesia's domestic skills market. Finally, support for trade and investment in advanced manufacturing presents an opportunity for deep partnership in innovative industries and technologies between Indonesia and Australia, utilising complementary skills such as Australia's precision engineering capabilities, while helping to boost productivity in Indonesia, being critical to achieving Indonesia's growth and development targets.

The ECP represents a transition in the Australian and Indonesian relationship from development partners to trusted economic cooperation. ECP investments will be guided by the development needs of Indonesia, while also reflecting the role trade, investment and private sector development play in advancing Indonesia's growth and development.

Hub model of collaboration - innovative delivery model

The delivery model adopted for the Collaborative Hub is a collaborative model that presents opportunities to build on existing capabilities and investments in Indonesia, while avoiding duplication and achieving better value for money. The shared services model is an innovation in the managing contractor model, drawing on established capabilities in Indonesia to maximise the value of existing services through greater scale and faster roll-out.

The Collaborative Hub is a highly innovative model that will require careful implementation, monitoring and ongoing evaluation. Ensuring all stakeholders are consulted, with open dialogue and a culture of cooperation, will be critical to its success. The design proposes a range of formal and informal arrangements that will support the models success. At its core, the ECP requires a willingness on the part of DFAT, the Government of Indonesia and implementing partners to work together to maximise the benefits of IA-CEPA and the opportunity to deliver development assistance in new and highly innovative ways.

Digital strategies - innovative activities

Innovation extends beyond the development and delivery models, to each of the proposed ECP activity areas. In all activities opportunities to support great inclusion, the adoption and utilisation of new technologies and advance private sector engagement has been pursued. Examples abound: In skills, innovative approaches to training will be piloted through online education and blended learning models. The Government of Indonesia recently identified EdTech as a priority for addressing the skills gap in Indonesia, including in partnership with major digital platform businesses, and the ECP will be well placed to support these efforts. In the AgriFood Innovation Partnerships, research and development activities will focus on opportunities to boost productivity and value-adding right along the supply chain. Examples include improved processing and production methods to produce higher quality, higher value products for the domestic and export markets. In advanced manufacturing, the opportunity to partner in rapidly advancing industries such as electric vehicles, as well as **advancing Indigenous Indonesian herbal and traditional medicinal products** (to complement Australia's rapidly growing, and high quality, vitamins and supplements industry), present exciting opportunities for innovation and partnership with a particular focus on the **MSME sector**. Lastly, the study to examine stronger linkages between Indonesian digital services firms and Australian capital markets has the potential to spark cooperation in a fast-growing sector of the global economy.

Signature activity: Powering Advanced Manufacturing

Advanced manufacturing has the potential to add value and transform Indonesia's productivity and industrial development. Australia has complementary skills, key resources and component manufacturing capability to support these goals in high value sectors. Building new supply chains to drive innovation in advanced manufacturing is a clear area of mutual interest and this activity will explore that opportunity in specific categories, while also demonstrating potential collaboration across the broader manufacturing sector.

A range of potential opportunities for collaboration in advanced manufacturing exists between Australia and Indonesia. A particular opportunity proposed by Indonesia, is for Australian industry expertise and trade in components and core material that will support the design and development of an electric vehicle, a core priority in Indonesia's industrial development plans. Indonesia is currently partnering with Japan in the development of an electric vehicle designed for domestic and export markets, including the ASEAN region. This work has revealed major component and skills needs in sectors where Australia has a clear comparative advantage. Opportunities have been identified in supporting inputs to lithium batteries, being a major component of electric vehicles, and precision engineering over time. The ECP will convene a process between the Indonesian automotive industry and Australia's advanced manufacturing industry to explore opportunities to support these efforts, commencing with a Scoping Study on complementarities and specific opportunities for supply chain collaboration. This will be overseen by a dialogue between the Australian Department of Industry, Innovation, Science, Energy and Resources (DISER) and its Indonesian counterpart to explore prospects for facilitating sustainable supply chain development.

This work will also explore opportunities to expand trade and investment across other advanced manufacturing categories. A partnership is proposed between Australia's Advanced Manufacturing Growth Centre (AMGC) and (tentatively) KADIN or other relevant industry representative groups to establish a dialogue to explore opportunities in other sectors. This work will be guided by DISER, Austrade and the Indonesian Department of Industry given their established relationships and role working with these organisations.

Trade and investment in advanced manufacturing requires further alignment of standards between the two countries manufacturing sectors. Standards Australia undertook a study in 2015 on opportunities to work towards agreed global standards in partnership with Indonesia. This activity will support the continuation of these efforts, looking at standards and conformance in priority sectors, potentially electrical and vitamin and health supplement standards, in subsequent years.

Over the five-year life of ECP, this activity will expand the partnership in manufacturing to other categories, with food processing and health vitamins and supplements (nutraceuticals), identified as priority sectors with significant economic potential, government and private sector interest in both Indonesia and Australia, and alignment with IA-CEPA. This will likely **increase engagement with Indonesia's MSME sector as Tier 1 and 2 suppliers.**

H. Budget and Resourcing (What will it cost?)

DFAT proposes to allocate an initial 40 million dollars over five years to the ECP. The budget allocation in Year 1 is \$6.1 million, increasing to an average of \$8.5 million in subsequent years, reflecting the need to scale-up activities once the Collaborative Hub is fully operationalised. The Government of Indonesia has committed their own financial and other resources to ECP, which are not included here as discussions on financial and in-kind contributions are ongoing.

An allocation will be made through the competitive tender process to the core activities of IA-CEPA implementation and maximisation. The remaining budget is spread across the outcome areas of Market Access, Better-Integrated Markets and Enhanced Skills. While the total budget has been allocated across the ECP's outcome areas, 30% of funds have not been allocated to specific activities over the full five-years, to allow flexibility and prioritisation of activities by the Indonesian and Australian Governments, through the ECC. **Total budget allocation to MEL should be indicatively 6%** reflecting its centrality to inform decisions and scale activities.

DFAT Resourcing

DFAT Jakarta Post will require additional resourcing to manage the ECP. It is proposed that the DFAT Jakarta Post be resourced with an additional A-based 0.5 FTE and locally engaged staff (LES) team member, with the skills to support the delivery of this innovative program, covering multiple and varied economic sectors and potentially disparate stakeholders, in addition to program communications and oversight of MEL. Support from the Indonesia

Desk (0.5 FTE) in Canberra, with primary responsibility to liaise with Australian Government agencies and DFAT, would also be a valuable resource.

I. Risk Management and Safeguards (What might go wrong?)

The **COVID-19 pandemic** is the major emerging risk to the ECP, with the potential to initially disrupt the program in a number of significant ways:

- Reallocation of resources (financial and human) to fight the pandemic and its impacts;
- Disruption of supply chains, manifested in trade and investment volume/value reductions, possible trade diversion (for example, for food security), and an expected negative impact on two way trade over the next 12-18 months. This will distort baseline assessments against which the impact of IA-CEPA will be measured;
- Travel and visa restrictions delaying mobilisation and activities, particularly impacting the first 12-months;
- Social distancing reducing the ability to conduct face to face meetings; and
- Recruitment and mobilisation of staff.

The World Trade Organisation (WTO) expects global trade volumes to reduce by between 13-32%,³³ affecting sectors differently. The degree to which this will rebound in 2021 is unknown. To understand the significance of the trade impacts, and to mitigate risks, it is recommended that ECP conduct an initial impact assessment, followed by strategies for mitigation, restoration and growth of trade and investment, and corresponding implications for ECP programming and priorities. This may have implications for the first year work program.

While some activities can be conducted remotely such as research, scoping studies, needs assessments and strategy development, other activities such as training, capacity development, socialisation, engagement and policy dialogues will most likely be delayed until it is safe to do so.

In terms of overall programming this investment is already considered ambitious. The major overall risk is that the ECP fails to achieve its intended outcomes within the time frame, due to COVID-19, lack of industry investment and government not prioritising activities in the targeted outcome areas. This will depend on the overall impact of COVID-19 and the ability of the program to identify catalytic activities that can promote industry engagement (and therefore a strong network for assessing industry demand and priorities), government action, partnership development and subsequent trade and investment in Indonesia and Australia.

Once operational, risks will be monitored monthly by the management team, including operational risks and safeguards. The six monthly progress reports will recommend any major changes to programming if risks fail to be mitigated or new risks emerge. An annual learning and reflection workshop with stakeholders will also be used to assess risks and the impact of mitigation approaches. An independent mid-term review will be conducted in 2023 to fully assess progress and evaluate performance. The purpose of this review is to recommend any significant changes in programming, resources or risk mitigation.

In terms of environmental and social safeguards the program is rated as medium. The program will be required to develop an operational policy to ensure it complies with DFAT's Environmental and Social Safeguards. Risks and safeguards will be included as key performance indicators in the MEL system. Investment activity selection will include environment and safeguards screening encompassing DFAT's:

- Environment Protection Policy;
- Preventing Sexual Exploitation, Abuse and Harassment (PSEAH) Policy;
- Displacement and Resettlement of People in Development Activities Policy;
- Indigenous Peoples Strategy 2015-2019: A Framework for Action;
- Disability Action Strategy 2017-2020; and
- Work Health and Safety Management System.

J. Quality assurance (Does the design meet DFAT's quality criteria?)

This design has been developed using DFAT's design template and guidelines, employing an expert team with Indonesian and Australian sector expertise. Widespread government and industry consultation in Indonesia and Australia was undertaken as part of the design. The list of people and organisations consulted is provided at [Annex 5](#). These consultations were supported by relevant literature research and document reviews.

The draft design document has been reviewed by a number of stakeholders across DFAT in Canberra and at Jakarta Post, other Australian Government agencies and the Government of Indonesia. In parallel, the design has

³³ https://www.wto.org/english/news_e/pres20_e/pr855_e.htm

undergone an internal ODA eligibility assessment (as part of the devolved trial), which has been approved (a discussion of the use of non ODA funds is provided at [Annex 8](#)). In line with the Aid Programming guidelines, the design has also been independently appraised by one internal and one external expert to DFAT. These reviewers assessed the design against DFAT's Investment Design Quality Scoring Matrix³⁴ covering relevance, effectiveness, efficiency, monitoring and evaluation, gender equality and cross cutting issues, innovation and private sector, and risk management and safeguards.

The Design Team has consolidated feedback from the reviewers, in consultation with DFAT counterparts, and revised the draft of the design to reflect this feedback, where appropriate. This has included some follow-up discussions with stakeholders, including the Government of Indonesia, to discuss and respond to their comments where possible.

The design was endorsed by DFAT's Aid Governance Board at its 30 April 2020 meeting. No further amendments to the design document were but the DFAT program managers will follow-up on a few areas as the ECP moves to procurement and implementation.

Finally, the design was submitted to delegates FAS SED and DHOM Jakarta Post for joint sign off.

K. Annexes to design document

ANNEX 1. PROGRAM LOGIC

ANNEX 2. INITIAL 12 MONTHS WORK PLAN

ANNEX 3. MONITORING, EVALUATION AND LEARNING (MEL) FRAMEWORK

ANNEX 4. PARTNER PROGRAMS

ANNEX 5. STAKEHOLDER CONSULTATIONS

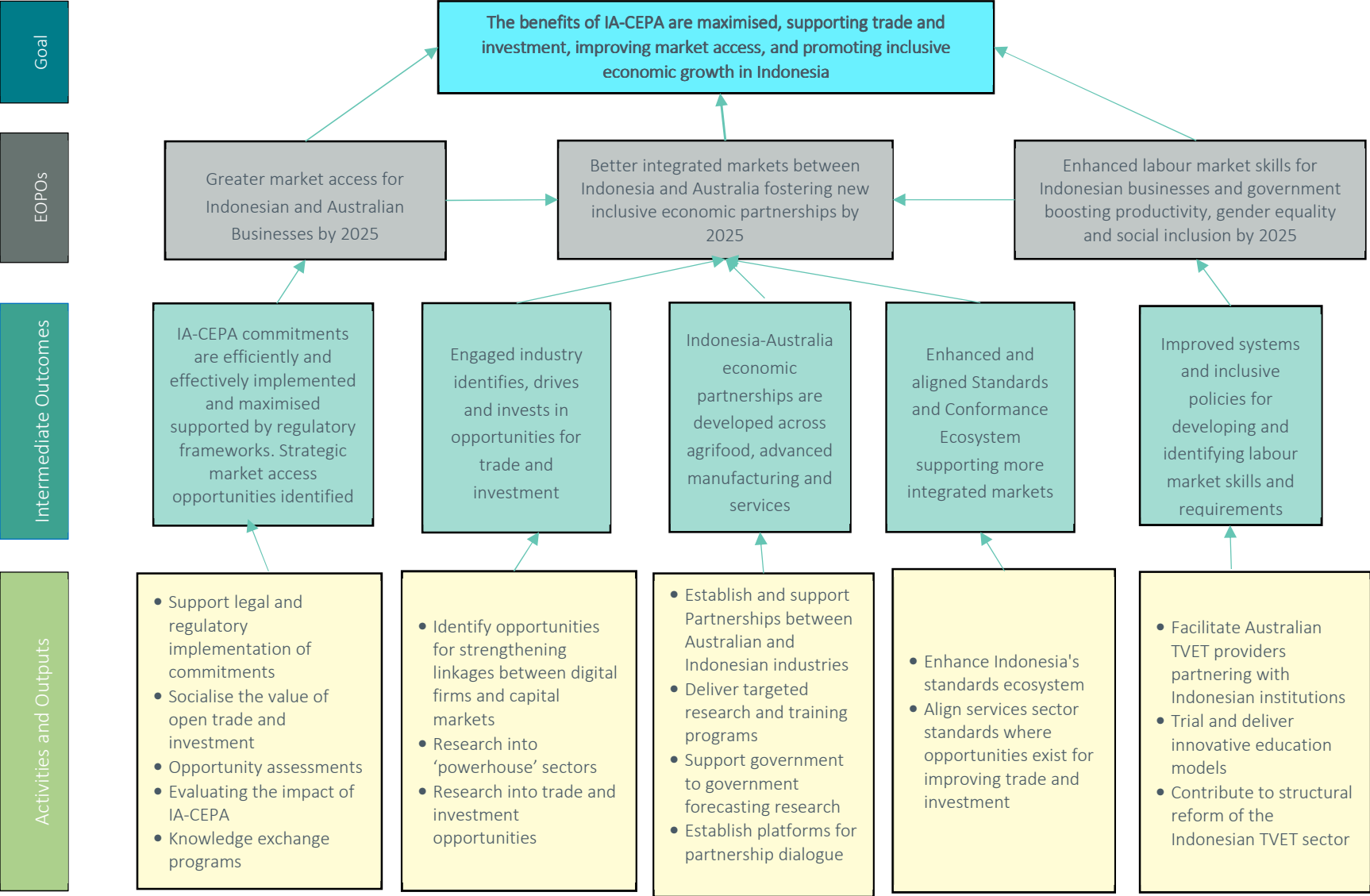
ANNEX 6. DETAILED INITIAL ACTIVITY DESCRIPTIONS

ANNEX 7. SUMMARY OF LESSONS FROM TRADE AND COOPERATION PROGRAMS

ANNEX 8. NON-ODA FUNDS AND ECP

³⁴ <https://dfat.gov.au/about-us/publications/Pages/investment-design-quality-scoring-matrix.aspx>

ANNEX 1. PROGRAM LOGIC



ANNEX 2. INITIAL 12 MONTH WORK PLAN

Reflecting the priorities identified by the Indonesian and Australian Governments during IA-CEPA negotiations and following further consultations with stakeholders a **work plan formulated around four initial activities** is proposed for the initial 12 months of the ECP – subject to **COVID-19 pandemic planning and responses** (see box below):

- i. Implementation of IA-CEPA — operationalising support for trade and investment reforms.
- ii. Launching the Australia-Indonesia AgriFood Innovation Partnerships (specifically, the Grains Partnership).
- iii. Powering Advanced Manufacturing: towards electric vehicles and components.
- iv. Co-investing in skills and training.

These priority areas draw together a range of proposed activities, including exchanges, research, scoping studies, training, policy advice, business dialogues, capacity building and IA-CEPA socialisation. Within each priority area there is **full flexibility to respond to requests**, while aligning with clear outcomes. The initial twelve-months work plan is also intended to guide **activities in future years**, noting lasting reform and partnership requires **a multi-year investment**. The indicative budget recognises that **new activities will be incorporated over time** to respond to changing priorities and requests for support, which can be incorporated into future year work plans, following consideration by the ECC.

IMPACT OF COVID-19 PANDEMIC

COVID-19 may have a profound impact on bilateral trade and investment between Indonesia and Australia. Subject to consultations, the ECP may be well placed to facilitate – as its first priority – a four phase response: (i) **assessment** of impact, (ii) recommendations for **mitigation** of impact, (iii) guidance on **restoration** of status quo ante trade and investment, and (iv) setting objectives for post-pandemic **growth**. The initial assessment of impact will also represent a baseline for performance assessment of the implementation of IA-CEPA and identify emerging mitigation, stabilisation and growth strategies in sectors most adversely affected, such as services in tourism and education, and supply chains in value-added goods and commodities.

FOUR INITIAL ACTIVITIES

1. IA-CEPA Implementation

In the first 12 months the ECP will be operationalised and a team established to deliver the ‘core business’ of the ECP, namely implementing IA-CEPA. The team, including a Technical Lead for Market Access, will be appointed and resourced to deliver:

- A Needs Assessment for regulatory implementation of IA-CEPA, examining appropriate modality for engagement between Australia on full implementation of key commitments in goods, services and investment commitments (including administration of Tariff Rate Quota arrangements), and broader commitments on a chapter-by-chapter basis. Note that modalities could include expert studies, exchange of officials involved in trade regulation and advocacy/industry engagement, short-term embedded officials in trade-related Ministries (including Indonesian officials in Australian agencies), and direct regulatory design and drafting advice/assistance.
- Socialisation activities will be delivered to build awareness of IA-CEPA benefits among industry groups, through business dialogues and workshops.
- Initial work on the first Bilateral Economic Opportunity Assessment, on the prospects for strengthening linkages between Indonesian fast-growth digital services firms and Australian capital markets.
- The development of the MEL Plan including parameters for MEL on IA-CEPA utilisation, and its economic (trade creating) and broader impacts, working closely with the Indonesian Government (Bappenas as the lead agency, with relevant line Ministries such as the Ministry of Trade).
- Establishment of ECP functional services, including the Secretariat function for the ECC, facilitating the Industry Engagement Advisory Group and its objectives (which should include identification of a pool of interested Australia and Indonesian firms for ECP activities).

- Development of the Gender and Social Inclusion Action Strategy which will be integrated in each annual work program.

2020-2021 Budget: \$1.6million

2. Launching the new Indonesia-Australia Agrifood Innovation Partnerships

Reflecting the priority and significant opportunity to enhance agricultural partnership, trade and investment between Australia and Indonesia a new Indonesia-Australia Agrifood Innovation Partnership will be launched in the first 12 months the ECP. **Commencing with a Grains Partnership**, the ECP will support deeper industry engagement on grains for food (with a view to innovation in Indonesia and third markets) and feed (for a more efficient and productive farming sector in Indonesia, with enhanced animal health outcomes). A Technical Adviser, Partnerships (0.5 x FTE), will be appointed and resourced to deliver:

- A grains value-chain leadership course over two weeks in Australia for up to 25 people. Participants will include Indonesian Government officials and middle managers from businesses such as: flour and feed milling; food processing; and livestock production. People from medium or larger Indonesian businesses involved in grains/food value chains that operate nationally, but are not yet involved in export would be encouraged to be part of the leadership course. These ‘export ready’ firms are well positioned to take the next step and become involved in exporting, which is a high priority for the Indonesian Government.
- A scoping study will be conducted in the first year to identify the major technical barriers (and identify other factors such as capital or infrastructure) for Indonesian feed mills becoming more successful in constantly adapting operations to more closely match changing supply and demand.
- Work will commence on a new government-to-government partnership to improve agricultural forecasting capabilities through interactions between ABARES and the Indonesian Ministry of Agriculture.
- Work will also commence on a Food Advantage program **supporting Indonesian MSME’s**. The program will adopt a train the trainer model and deliver technical training modules for SME’s involved in the production of baked goods and fresh noodles. In particular, the training will use quality flour and blends to train MSME’s in how to optimise value to their business.

In future years, the Agrifood Innovation Partnership will be expanded to other priority agricultural sectors such as horticulture and could incorporate activities on animal welfare.

2020-2021 Budget: \$0.9 million

3. Powering Advanced Manufacturing

Advanced manufacturing has the potential to add value and transform Indonesia’s productivity and industrial development. Australia has complimentary skills and is a source of raw materials and manufactured inputs to support these goals in high value sectors. A Technical Adviser, Partnerships (0.5 x FTE), will be appointed and resourced to deliver:

- A dialogue between Indonesian automotive industry and Australia’s advanced manufacturing industry to explore opportunities to support Indonesia’s planned electric vehicle program, including through supporting the development of commercial linkages between Australian automotive componentry manufacturers and Indonesia’s vehicle industry, and through building on Australia’s lithium mining expertise and developing lithium-ion battery technologies. This work will include a scoping study into complementarities and opportunities for Australia’s components and precision engineering industries to support Indonesia’s ambitions for an electric vehicle.
- A dialogue between DISER and appropriate Indonesian counterpart on short, medium and long term requirements for raw materials and components into electric vehicles, with a focus on understanding the respective role of each country in developing their side of the supply chain.

- A partnership will be established between (provisionally) Australia’s Advanced Manufacturing Growth Centre (AMGC) and the Indonesian Chamber of Commerce and Industry (KADIN) or other relevant industry representative organisation to explore opportunities in other manufacturing sectors. An initial scoping study will be commissioned to explore opportunities to expand trade and investment across other advanced manufacturing industries. This work will be coordinated with the Australian DISER and Austrade given their established relationships and role working with both these organisations.
- The study undertaken by Standards Australia in 2015 on opportunities to work towards agreed global standards in partnership with Indonesia will be expanded to continue work on standards and conformance in priority sectors.

In future years this activity could expand to other manufacturing industries, with processed foods and health vitamins and supplements (nutraceuticals), and medical technologies identified as priority sectors for partnership. This activity will also look at standards (including regulatory standards impacting trade, such as halal requirements) and conformance in priority sectors, potentially electrical and vitamins/supplements standards, in subsequent years. We expect **Indonesia’s MSME sector** to be a focus/beneficiary of this future work.

2020-2021 Budget: \$0.6 million

4. Co-investing in Skills

The ECP will support a new model of partnership in technical vocational education and training (TVET) between Indonesian industry and Australian TVET providers. The activity will connect Indonesian employers to high quality skills and training, addressing a major constraint to growth and productivity in Indonesia. This activity will contribute to the goal of increasing productivity, competitiveness and innovation in Indonesia through skills development of the workforce. A Technical Lead for Skills will be appointed and resourced to:

- Convene an Indonesian Tourism Industry Committee to identify major skills gaps confronting the sector and to develop targeted courses to address those skills needs. The ECP will connect the Indonesian Tourism Industry and Australian TVET providers through a TVET Clearinghouse to boost partnerships, quality skills and training demanded by industry, and commercially viable training opportunities.
- Convene an Indonesian Digital Services Industry Committee to identify major skills gaps confronting the sector and to develop targeted courses to address those skills needs. The ECP will connect the Indonesian Digital Service Industry and Australian TVET providers through a TVET Clearinghouse to boost partnerships, quality skills and training demanded by industry, and commercially viable training opportunities.
- Other priority sectors such as agriculture (supporting the grains partnership), advanced manufacturing and services. Further courses will be designed in partnership with Indonesian Industry Committees over subsequent years, piloting different delivery models including blended and on-line learning, and extending to sectors such as Health Professionals.
- A new partnership to bolster the participation of women in TVET in Indonesia will be established to support the unique role that skills can play in enhancing female workforce participation and economic empowerment. The Australia’s Chief Executive Women and the Indonesian Business Coalition for Women Empowerment will be supported through events and annual dialogue aimed at boosting female participation in non-traditional sectors through more inclusive skills and training.

2020-2021 Budget: \$1.1 million

More detailed activity descriptions are provided at [Annex 6](#).

ANNEX 3. MONITORING, EVALUATION AND LEARNING (MEL) FRAMEWORK

The MEL Framework under ECP will be established with the following components and tools:

- **Stakeholder matrix** — this provides guidance on how the MEL system will be used, by whom and how frequently. The MEL system will be based on a user-focused approach. The stakeholder matrix will be updated regularly to reflect the needs of stakeholders.
- **Program logic model** (see [Annex 1](#)) — this describes how outcomes will be achieved based on assumptions and cause and effect. The program logic illustrates how change will happen to achieve the intended outcomes and overall goal, and guide activity design and targeted interventions.
- **Key Evaluation Questions** (KEQs) are high-level questions to guide program evaluation and progress towards outcomes.
- **Baseline report** — this is a standalone document describing the situation on commencement of ECP in each of the sectors targeted by the program. It will be based on agreed indicators using qualitative and quantitative descriptors. It is used to compare changes over the course of the program.
- **Results framework and Key Performance Indicators (KPIs)** — this summarises relationships between intended outcomes, indicators, targets, baseline data, methods and uses. See [Annex 3](#).
- **Operational and management indicators** ([Annex 3](#)) — these are focused on ensuring the ECP delivers value for money and monitors risks, adaptive management, expenditure and quality outputs
- **MEL data collection, analysis and learning reflection tools** — these comprise mixed-method approaches combining qualitative and quantitative data to address research and evaluation questions and harvest lessons learned. These include perception surveys, case studies, contribution analysis, quality reviews and reflection workshops. As a standard practice, all data will be disaggregated by gender, disability, location and sectors.
- **Risk and Safeguard Screening Tool** — this is informed by lead indicators and ongoing reporting. The risk matrix is focused on risks associated with the achievement of outputs and intended outcomes, use of resources, quality of partnerships, and proposed mitigation methods
- **Reporting templates** — these are specifically designed to report against DFAT requirements. Progress reports will be produced every six months. Data will be collected monthly, quarterly or six-monthly depending on the dynamic nature of the activities and results.
- **MEL helpdesk service** — this will be provided by the ECP M&E function to support implementing partners undertake monitoring, evaluation and reporting to required standards for ECP. It will aid in collaboration and coordination with other programs as part of the Collaborative Hub shared services.

Key Evaluation Questions:

Key evaluation questions (KEQs) help guide the approach to monitoring and evaluation. KEQs are typically the questions donors will expect to be answered, supported by enough evidence, at the midpoint and on completion the program. The following KEQs should be used to guide independent evaluations (midterm after 2.5 years and completion reviews after five years):

1. To what extent is ECP relevant to the ongoing needs of the Indonesian and Australian governments? (*Relevance*)
2. To what extent has ECP optimised the benefits of IA-CEPA for the Indonesian and Australian Governments? (*Efficiency and effectiveness*)

3. To what extent has ECP resulted in greater market access? (*Effectiveness*)
4. To what extent has ECP resulted in better-integrated markets? (*Effectiveness*)
5. To what extent has ECP enhanced labour market skills? (*Effectiveness*)
6. How effective has ECP been in strengthening partnerships and improving trade and investment between Australia and Indonesia? (*Effectiveness*)
7. To what extent will the benefits of ECP be sustained beyond the life of the program? (*Sustainability*)
8. In what ways has ECP been able to contribute to gender equality and social inclusion? (*GESI considerations*)

This represents **an indicative high-level MEL Framework for ECP** based on the initial priority activities, goal and intended outcomes. Additional detailed logic models are provided for each of the initial activities. This framework will continue to expand and become more specific as each annual plan is developed and approved. A **baseline study** will be undertaken during the inception phase of ECP to seek agreement on the baseline situation for each outcome area and to identify critical and achievable targets.

Outcome	Desired result	Indicator	Data collection method & frequency	Who will collect and analyse the data	Baseline	Target
Goal	The benefits of IA-CEPA are maximised, supporting trade and investment, improving market access, and promoting inclusive economic growth in Indonesia.	<ul style="list-style-type: none"> • Volume and value of two way trade — imports and exports in target sectors between Australia and Indonesia • Total new value added exports from Indonesia to third markets using Australian commodities • Foreign and domestic investment in target sectors • Increased economic opportunities for women 	<p>Annual data collection</p> <p>Case study research by targeted sector</p> <p>Contribution analysis of IA-CEPA implementation to Indonesia’s development goals.</p> <p>Contribution analysis of increasing economic opportunities for</p>	<p>Annual – Indonesian National Statistics Agency</p> <p>Australian Bureau of Statistics (ABS)</p> <p>ECP through case studies</p>	<p>Trade and investment statistics 2020</p> <p>0 case studies</p> <p>2020 Medium Term Development Plan KPI values in 2020</p>	<p>Increases to be determined³⁵</p> <p>2 new case studies per annum commencing in 2021</p>

³⁵ Targets will be agreed in the first year of implementation based on an analysis of baseline indicators and historical rate of change data.

Outcome	Desired result	Indicator	Data collection method & frequency	Who will collect and analyse the data	Baseline	Target
		and people living with disabilities	women and people living with disabilities			
End of investment outcome - 2025	1. Greater market access for Indonesian and Australian businesses	<ul style="list-style-type: none"> Increase in type and volume of exports (including to third markets) Number of emerging viable “powerhouse” opportunities Number of “trusted³⁶” trade relationships across more sectors 	<p>Annual data collection</p> <p>Contribution analysis</p> <p>Case study research by targeted sector</p>	<p>Annual – Indonesian National Statistics Agency</p> <p>Australian Bureau of Statistics (ABS)</p> <p>ECP case studies</p>	<p>Trade and investment statistics 2020</p> <p>0 case studies</p> <p>0 additional trusted relationships</p>	<p>Increases TBD</p> <p>2 new case studies per annum commencing in 2021</p> <p>2 new trusted trade relationships in key sectors</p>
Intermediate outcomes – 2023 emergent	1.1 IA-CEPA commitments are efficiently and effectively implemented and maximised supported by regulatory frameworks. Strategic market access opportunities identified.	<ul style="list-style-type: none"> Regulatory and policy framework established Number of commitments effectively implemented Number of new business partnerships between Indonesia and Australia Increased economic opportunities for women and people living with disabilities Number of market access opportunities identified 	<p>6 monthly progress reports</p> <p>Government reviews of KPIs</p> <p>Commitment status monitoring</p> <p>GESI Policy analysis</p> <p>Research studies</p>	Bappenas in partnership with ECP	<p>0 commitments implemented at commencement</p> <p>0 GESI policies and regulations updated as a result of IA-CEPA</p>	<p>100% of commitments implemented by 2025</p> <p>4 new business partnerships emerge in key sectors based on market access research</p>

³⁶ The level of trust will be described using a rubric scale for each of the partnerships that develop. Rubrics are commonly used to quantify subjective concepts such as trust along a scale.

Outcome	Desired result	Indicator	Data collection method & frequency	Who will collect and analyse the data	Baseline	Target
End of investment outcome	2. Better integrated markets between Indonesia and Australia fostering new inclusive economic partnerships by 2025	<ul style="list-style-type: none"> Trade flows between Indonesia and Australia in the agrifoods, advanced manufacturing and services sectors. Number of new partnerships in the private sector in targeted markets. Level of new capital investment in Indonesian companies Extent of expansion, investment and innovation in new markets Productivity and added value across supply chains 	<p>Statistics reporting through national agencies (ABS and BPS)</p> <p>6 monthly and annual reporting on progress towards outcomes</p> <p>Line agency reporting to Bappenas on KPIs</p> <p>Annual case study analysis through ECP in each targeted sector or partnership</p>	<p>Annual – Indonesian National Statistics Agency³⁷</p> <p>Australian Bureau of Statistics (ABS)</p> <p>Bappenas review of KPIs</p> <p>ECP through case studies</p>	TBD	TBD
Intermediate outcomes	2.1 Engaged industry identifies, drives and invests in opportunities for trade and investment	<ul style="list-style-type: none"> Number and quality of new opportunities identified for trade and investment Number and quality of new industry business strategies developed Increased economic opportunities for women 	<p>Industry case studies</p> <p>Viability assessments of business strategies</p>	ECP in consultation with industry partnerships	0 at commencement	<p>4 new opportunities generating increased trade and investment in the target sectors by 2025</p> <p>20% increase in women’s involvement in Partnerships and investments arising</p>

³⁷ We would use a combination of available statistics collected through normal administrative processes, case studies and interviews with industry leaders to draw conclusions about industry trade flows and progress towards outcomes. In some circumstances we may be able to request a special collection from the national statistics agency.

Outcome	Desired result	Indicator	Data collection method & frequency	Who will collect and analyse the data	Baseline	Target
		and people living with disabilities				from IA-CEPA opportunities
Intermediate outcomes	2.2 Indonesia-Australia economic partnerships are developed across agrifood, advanced manufacturing and services	<ul style="list-style-type: none"> Number and quality of new partnership agreements signed with tangible commitments made by partners. Level of trade and investment in agrifoods, advanced manufacturing and services resulting from ECP investments Increased economic opportunities for women and people living with disabilities 	<p>Annual industry partnership case studies and contribution analysis</p> <p>Annual analysis of private sector contributions to partnership agreements and investment opportunities</p> <p>Annual ECP progress reporting</p>	ECP in consultation with industry partnerships	0 at commencement	4 new partnership agreements signed in target sectors by 2025
Intermediate outcomes	2.3 Enhanced and aligned Standards and Conformance Ecosystem supporting more integrated markets	<ul style="list-style-type: none"> Level of alignment of standards Number and quality of enhancements to standards in Indonesia 	<p>Case study analysis</p> <p>Annual investment activity reporting on adoption of standards</p>	ECP in consultation with government and industry	TBD	TBD
End of investment outcomes	3. Enhanced labour market skills for Indonesian businesses and government boosting productivity, gender	<ul style="list-style-type: none"> Number of pilot TVET models scaled up with joint Australian-Indonesian investment Increased women leadership and participation of 	Program evaluation of TVET models, including industry and participant feedback.	ECP in partnership with service providers	0 models scaled up	2 successful models scaled up in a partnership between Indonesia and Australia in the TVET sector.

Outcome	Desired result	Indicator	Data collection method & frequency	Who will collect and analyse the data	Baseline	Target
	equality and social inclusion by 2025	disadvantaged groups in target sectors <ul style="list-style-type: none"> Number of Australian TVET providers commercially active in Indonesia 	Annual case study analysis of TVET models	PAIR in partnership with ECP		
Intermediate outcomes	3.1 Improved systems and inclusive policies for developing and identifying labour market skills and requirements	<ul style="list-style-type: none"> Number of policies and strategies developed through pilot models adopted by Indonesia to improve its TVET system Number and quality of curriculum improvements Level of foreign investment in Indonesian TVET sector Percentage of women entering TVET courses Percentage of women and people with disability entering the labour force by sector as a result of TVET courses 	Annual evaluations of TVET models being implemented and tested BPS – annual statistics on investment in TVET sector Annual statistics on female enrolments in targeted sectors KPI reporting from relevant line ministries to Bappenas Case studies Work placement surveys	TVET institutions in partnership with ECP Bappenas with support from ECP	2020 TVET statistics on enrolments	2 new pilot models tested and used to inform government strategies 10% increase in female participation in TVET in targeted sectors 10% increase in labour force participation in targeted sectors from improved TVET courses, including women and people living with disability Level of foreign investment TBD

Notes:

1. Outputs, activities and inputs are not shown in the MEL framework. These will be determined during annual planning processes.
2. Outputs are monitored and evaluated according to the terms of reference (specifications) of each activity investment. Outputs will be specified in each annual plan and tracked based on expenditure, performance and quality of products and services.

3. Inputs and activities are monitored as part of the operational monitoring system and corresponding indicators. Efficiency is measured according to the resources used to produce outputs. Effectiveness is measured as the ratio of inputs used to produce effective immediate and intermediate outcomes.

ANNEX 4. OPPORTUNITIES TO COLLABORATE WITH EXISTING DFAT FACILITIES & PROGRAMS

There are multiple organisations and existing programs where collaborations with the ECP could enable and accelerate achievement of the outcomes envisaged through the IA-CEPA, for the mutual benefit of Australia and Indonesia. Organisations and programs that have already been identified as potential collaborators are outlined below. It is not an exhaustive list and does not limit the involvement of other organisations and programs where there is a need and a compelling case.

Further details on a specific activity basis are set out in the detailed activity descriptions in [Annex 6](#).

PROSPERA

PROSPERA is a partnership facility between the Government of Australia and the Government of Indonesia. It aims to foster strong, sustainable and inclusive economic growth in Indonesia. Commencing from 1 March 2018, PROSPERA is a planned five-year investment (with an option to extend for a further three years) that draws together the former Government Partnership Fund (GPF) and Australia Indonesia Partnership for Economic Governance (AIPEG). PROSPERA will be responsive to the needs of a wide range of agencies in the Indonesian Government, covering six Engagement Areas:

- (i) Markets — improving product and factor market efficiency.
- (ii) Finance — delivering financial stability and development.
- (iii) Spending — improving the quality, delivery efficiency, and access to public services.
- (iv) Revenue — mobilising revenues without unduly impeding private activity;
- (v) Public Sector Reform — strengthening economic institutions.
- (vi) Economics & Inclusion — providing analysis to boost the evidence for economic policy.

Collaboration is anticipated in supporting the implementation of IA-CEPA outcomes, research into market access, trade and investment opportunities, and capital market deepening, amongst other areas to be discussed and agreed with PROSPERA.

PRISMA

The Australia-Indonesia Partnership for Promoting Rural Incomes through Support for Markets in Agriculture (PRISMA) is a development partnership between the Government of Australia (Department of Foreign Affairs and Trade, DFAT) and the Government of Indonesia (Bappenas). The multi-year development partnership aims to accelerate poverty reduction through promoting inclusive economic growth.

The program is in its second phase, where it seeks to improve market efficiency and economic returns in agricultural value chains over the next five years (2019-2023).

PRISMA works to increase smallholder farmers' competitiveness and access to new markets, better inputs, know-how and technology. It focuses on the agriculture, horticulture, livestock and aquaculture sectors which have strong growth potential and are the main source of incomes for a large number of Indonesia's smallholder farming households. In the first phase, the program operated in five provinces in Indonesia - East Java, East Nusa Tenggara (NTT), West Nusa Tenggara (NTB), West Papua and Papua. It will expand into Central Java and bring the number of provinces in Phase II to six.

Collaboration with IA-CEPA is intended at provincial levels, where there are opportunities to build relationships and share information about markets. The linkages will be through the specific organisations and agricultural value chains involved in the ECP Agrifood Innovation Partnerships. Connections with larger and intermediary market players will support system change and two-way flow of information.

INVESTING IN WOMEN

Investing in Women is an initiative of the Australian Government. The program was established in 2016 to catalyse inclusive economic growth through women's economic empowerment in South East Asia. Women's economic empowerment is not only a fundamental aspect of promoting gender equality, but it is vital to enhancing business competitiveness, fuelling inclusive economic growth and building equitable societies.

Investing in Women uses innovative approaches to improve women's economic participation as employees and as entrepreneurs and to influence the enabling environment to promote women's economic empowerment

It is anticipated that there would be potential for collaboration with Investing in Women across all activities in the ECP.

PARTNERSHIP FOR AUSTRALIA-INDONESIA RESEARCH (PAIR)

The Partnership for Australia-Indonesia Research (PAIR) is an Australia Indonesia Centre (AIC) initiative supported by the Australian Government, the Indonesian Government and 11 leading universities to advance the research linkages between the two countries and improve the impact of that research.

Operating from 2019 to 2022, PAIR focuses on the importance of knowledge production and research capability building to support development, planning and policy-making for both countries.

PAIR demonstrates a research pathway-to-impact model that spans countries and institutions and that can be applied to any problem or location. There is potential for collaboration with PAIR as part of Agrifood Innovation Partnerships in regions such as Makassar where there is significant grains processing focus.

AUSTRALIA AWARDS

Australia Awards are prestigious international scholarships and short courses offering the next generation of global leaders an opportunity to undertake study, research and professional development in Australia.

Australia Awards contribute to the long-term objectives of promoting growth and stability in our region, as well as strengthening links between people and organisations to enhance mutual understanding and cooperation. They equip recipients with the skills and knowledge to drive change and contribute to the economic and social development of their own countries, in effect, building the human resource capacity of partner countries within mutually agreed development sectors.

The ECP implementation will involve collaboration with the Australia Awards program to provide short courses in targeted programs in priority activities such as Agrifood Innovation Partnerships and advanced manufacturing.

OTHER

Collaboration is also anticipated with a number of Australian Government departments and agencies, including: Austrade, Department of Agriculture, Department of Education, Skills and Employment, and the Department of Industry.

Collaboration with Indonesian Ministries is expected to include: Bappenas, Ministry of Trade, BKPM, Department of Agriculture, Ministry of Manpower, among others. KADIN may also play an important role in supporting private sector engagement.

ANNEX 5. STAKEHOLDERS CONSULTED AS PART OF DESIGN

Jakarta, 14-16 August 2019

Indonesian Government	Australian Government (Embassy)	Development programs and partners
<ol style="list-style-type: none"> 1. Bappenas 2. Coordinating Ministry of Economic Affairs, who convened a roundtable with representatives from: <ol style="list-style-type: none"> i. Ministry of Education and Culture ii. Ministry of Manpower iii. Ministry of Research and Technology 3. Ministry of Foreign Affairs 4. Ministry of Trade 	<ol style="list-style-type: none"> 1. Austrade 2. Department of Agriculture 3. Department of Education 4. Department of Foreign Affairs and Trade: <ol style="list-style-type: none"> i. Basic Education Team ii. Deputy Head of Mission iii. Economic Governance Team iv. Economic Section v. Health Development Team vi. Poverty and Social Protection Team vii. Rural Development Team 	<ol style="list-style-type: none"> 1. PROSPERA Economic Governance Facility

Canberra, 9-11 September 2019

Australian Government	Other
<ol style="list-style-type: none"> 1. Austrade 2. Department of Agriculture 3. Department of Education 4. Department of Employment, Skills, Small and Family Business' 5. Department of Foreign Affairs and Trade: <ol style="list-style-type: none"> i. Contracting and Aid Management Division ii. Development Economics Unit and Chief Economist iii. Former AANZFTA Program Managers iv. Pacific Economic Growth and Trade Section v. Private Sector Development Section vi. Regional Trade Agreements Division vii. South East Asia Division 6. Department of Health 7. Department of Industry, Innovation and Science 8. Standards Australia 	<ol style="list-style-type: none"> 1. QP3 Consulting (Independent Probitry Adviser)

Jakarta, 25-29 November 2019

Indonesian Government	Australian Government (Embassy)	Private Sector	Development programs and partners
<ol style="list-style-type: none"> 1. Bappenas 2. BKPM 3. BSN 4. Coordinating Ministry of Economic Affairs, who convened a 	<ol style="list-style-type: none"> 1. Austrade 2. CSIRO 3. Department of Agriculture 4. Department of Education 	<ol style="list-style-type: none"> 1. APINDO 2. GAPMMI 3. GPMT (Indonesia Feed Mills Association) 4. IndoFood Bogasari Flour 	<ol style="list-style-type: none"> 1. Australia Awards Scholarships Program (Coffey) 2. KIAT (Australian-funded bilateral infrastructure focused)

Indonesian Government	Australian Government (Embassy)	Private Sector	Development programs and partners
<p>skills roundtable with representatives from:</p> <ul style="list-style-type: none"> i. Bappenas ii. Ministry of Manpower iii. Ministry of SOEs iv. Ministry of Research and Technology v. Ministry of Education and Culture <ul style="list-style-type: none"> 5. Ministry of Agriculture 6. Ministry of Health 7. Ministry of Industry 8. Ministry of SMEs 9. Ministry of Trade 	<ul style="list-style-type: none"> 5. Department of Foreign Affairs and Trade: <ul style="list-style-type: none"> i. Australia’s Ambassador to Indonesia, Gary Quinlan ii. Australia’s Indonesian Consulate Generals: Surabaya, Bali, Makassar (via teleconference) iii. Basic Education Development Team iv. Economic Section v. Health Development Team, Mission to ASEAN vi. Rural Development Team vii. Scholarships Team 	<ul style="list-style-type: none"> 5. Indonesia Food Innovation Centre (IFIC) 6. Indonesia Services Dialogue (ISD), who convened a roundtable with 20 tech companies, including: Bukalapak, Tokopedia, GoJek, Helpster (online labour platform for blue collar workers), Caravan (Digital illustration), Ainaki (animation), Coinworks (Fintech – P2P lending platform), KitaBisa (Fintech – P2P Digital Fund/Donation Platform), OVO 7. KADIN 8. Meat and Livestock Australia (MLA) 9. PT Mitra Asia Lestari (John Ackerman) 10. PT. Toyota Motor Manufacturing Indonesia 11. SME Center 	<p>development program, which has a TVET activity)</p> <ul style="list-style-type: none"> 3. TASS and INOVASI (other Australian-funded bilateral education-focused development programs) 4. TVET Development Partners Roundtable with representatives from: UK, Canada, Swiss, US, ILO, Germany, World Bank, France and Japan

Canberra, Sydney and Melbourne, 10-12 December 2019

Australian Government	Private Sector	Development programs and partners
<ul style="list-style-type: none"> 1. Department of Agriculture 2. Department of Employment, Skills, Small and Family Business 3. Department of Foreign Affairs and Trade: <ul style="list-style-type: none"> – Business Partnerships Platform – Development Economics Unit – Investing in Women – Investment Design Section 	<ul style="list-style-type: none"> 1. Advanced Manufacturing Growth Centre (AMGC) 2. Australian Chamber of Commerce and Industry (ACCI) 3. Australian Export Grains Innovation Centre (AEGIC) 4. Australian Food and Grocery Council (AFGC) 5. Australian Industry Group (AIG) 6. Australian Investment Council (AIC) 	<ul style="list-style-type: none"> 1. Palladium (Business Partnerships Platform managing contractor)

Australian Government	Private Sector	Development programs and partners
<ul style="list-style-type: none"> – Regional Trade Agreements Division 4. Department of Industry, Innovation and Science 5. Standards Australia 	<ul style="list-style-type: none"> 7. Australian Securities Exchange (ASX) 8. Australian Services Roundtable 9. Independent Tertiary Education Council Australia (ITECA) 10. SERCO Group 11. TAFE Directors Australia 	

Via phone, outside dedicated missions

Government of Australia
1. Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES)
Private sector
<ul style="list-style-type: none"> 1. Ascending (Online Nursing Platform) 2. Australian Financial Complaints Authority (AFCA) 3. Australian Grape and Wine 4. Consolidated Pastoral Company (CPC) 5. East Java Province Delegation (Provincial Investment Board; Tubang & Jombang Regencies) 6. Grain Growers Australia 7. Grain Trade Australia (GTA) 8. Grains Industry Market Access Forum (GIMAF)

ANNEX 6. DETAILED INITIAL ACTIVITY DESCRIPTIONS

ACTIVITY 1: IA-CEPA IMPLEMENTATION

Activity in brief

Cooperative activities to support the full implementation of IA-CEPA, and ensuring that the outcomes of the agreement are maximised, will be the 'core business' of the ECP. Following establishment of the ECP's functional services, including the Secretariat function for the ECC, and facilitating an Industry Engagement Advisory Group (see below), this activity will commence with the development of an **IA-CEPA Implementation Work Plan**, to guide the management team's activities (and assessment) through the life of the ECP across this Activity's four workstreams - (i) implementation, (ii) socialisation (iii) opportunity assessments and (iv) monitoring, evaluation and learning.

The implementation workstream will commence with a Needs Assessment for regulatory implementation of IA-CEPA. This will examine an appropriate modality for engagement between Australia and Indonesia on full implementation of key commitments in goods, services and investment commitments (including administration of Tariff Rate Quota arrangements), and broader commitments on a chapter-by-chapter basis.

The Needs Assessment will include recommendations for activities to support IA-CEPA implementation by selecting from a range of tools including deeper regulatory implementation studies or analysis, exchange of officials involved in trade regulation and advocacy/industry engagement, short-term embedded officials in trade-related Ministries (including Indonesian officials in Australian agencies), and direct regulatory design and drafting advice. A substantial focus of this activity will be assisting the sub-national level of Government in Indonesia to better 'localise' IA-CEPA.

Socialisation activities will progress alongside work on implementation, to build awareness of IA-CEPA benefits among industry groups through the multi-year implementation period. The ECP will support three functions to help with socialisation of IA-CEPA: (i) technical advocacy, such as data analysis and 'fact sheets' on industry sectors to support line agencies in representations to their stakeholder groups –with a focus on complementarity between the Australian and Indonesian economies, (ii) business dialogue, such as workshops and seminars focused on outcomes and opportunities for Indonesian sectoral groups – which can further drive interest in other ECP activities, and (iii) IA-CEPA localisation, where specific opportunities for provincial economies can be identified, fact sheets produced and information sessions facilitated, commencing in markets where Australia's Consul-Generals are located.

Opportunity Assessments will examine which economic sectors present the greatest mutually beneficial prospects in the coming 5 to 20 years, and will propose strategies for deeper engagement. The assessments would respond to sectoral priorities of Indonesia and Australia that demonstrate mutual benefit, for example by building on inputs (goods and services) from both countries. The ECP would commence with a focus on prospects for areas for assessment include strengthening digital services and capital market linkages where significant opportunity exists to make a substantial contribution to economic cooperation between the two countries.

The monitoring, evaluation and learning workstream is an important core component of the ECP. It supports decision-making, outcomes monitoring and accountability. It will monitor and evaluate IA-CEPA **utilisation** and the **impact on trade flows**, the contribution IA-CEPA makes to **broader economic and social outcomes**, including in partnership with Bappenas as it seeks to strengthen Indonesia's measurement and reporting on the impact and value of open trade policies.

To better secure industry engagement in the range of ECP activities, and to help raise awareness and potential non-ODA contributions by industry to activities (in cash, or kind), the proposed budget includes funding for a dedicated 'Industry Engagement Advisory Group'. This group, facilitated through the Collaborative Hub, will have two objectives: (i) assist the Collaborative Hub to raise interest, and to increase awareness and engagement with industry groups and firms (with a particular focus on MSMEs) in the sectoral activities of the ECP, and (ii) work with industry groups and firms in the mobilisation of resources (cash or in-kind) for non-ODA components of ECP activities. The Collaborative Hub will set measurable targets for these objectives (including on inclusion of MSMEs,

and the identification of a specific pool of interested Australian and Indonesian firm for activities) when determining the membership of the Industry Engagement Advisory Group, in consultation with the ECC.

Indonesia has a range of existing institutions, both from the government side and private sector that could be utilised for the proposed Industry Engagement Advisory Group. Opportunities to utilise existing networks and avoid duplication will be considered in the early stages of this activity.

IA-CEPA Implementation will be both proactive (working to a program of activities) and responsive (providing a resource for support when inevitable challenges to implementation arise). Much of the focus will be on years 1 – 3 – the critical phase for full implementation and socialisation, with the focus for years 4 and 5 turning to building momentum towards a review of the IA-CEPA and prospects for deeper and commercially meaningful engagement, including in sectors identified through the Opportunity Assessments workstream.

Period of funding and total funds requested

The proposed budget for this activity is \$9.2 million over 5 years. The table below provides indicative costs. Where appropriate, additional co-funding or in-kind contributions are expected from the Government of Indonesia and the private sector.

Financial Year	2020-21	2021-22	2022-23	2023-24	2024-25
\$m	1.6	1.7	1.7	2.1	2.1

Partner agency(s) or institution(s), branch and work group

- Prospera’s Markets Engagement Area may offer an appropriate resource for delivering the Needs Assessment. The suggested implementation activities would need to be coordinated with Bappenas, the Ministry of Trade, the Coordinating Ministry for Economic Affairs, and the Coordinating Ministry for Maritime Affairs and Investment.
- Should these be recommended, exchange of officials may be coordinated by the ECP Hub between relevant agencies, including: Bappenas, the Ministry of Trade, the Coordinating Ministry for Economic Affairs, and the Coordinating Ministry for Maritime Affairs and Investment, Ministry of Industry, Ministry of Agriculture and BKPM, in Indonesia, and the Department of Foreign Affairs & Trade, Austrade, Agriculture and others in Australia.
- Should the exchanges involve a larger group of candidates, collaboration with Australia Awards is envisioned.
- Should technical drafting and similar assistance be suitable, this may be suited to Prospera’s Markets Engagement Area and would need to be developed in partnership with them, as appropriate. Technical assistance from Australian Government agencies, in particular DFAT and Customs, may also be appropriate.
- Standing up an Industry Engagement Advisory Group may involve bilateral chambers, such as the Australia-Indonesia Business Council, the Indonesia-Australia Business Council, KADIN, ACCI and others (such as the Indonesian Food & Beverage Association (GAPPMI), GAPPMI, Association of Indonesian Motor Vehicle Industry (GAIKINDO), Car and Motorcycle Equipment Industry Association (GIAMM), the Digital Entrepreneur Indonesia (ADEI), Small Medium Enterprise association (UMKM)) who can offer suitable experience and networks.
- Local hubs: provincial and district governments. In the early stage, the provinces chosen are those where **Australian Consulate General** offices are located, namely South Sulawesi (i.e. city of Makassar), East Java (i.e. city of Surabaya), and Bali (i.e. city of Denpasar). This component might also integrate with Australian initiatives in Indonesian regions, such as the Partnership for Australia-Indonesia Research (PAIR) through the Australia-Indonesia Centre.

Activity assessment against investment criteria

INVESTMENT CRITERIA:

(i) **Maximising the outcomes of IA-CEPA:** As this Implementation Activity is the core business of ECP, it would focus on the cooperation aspect of the treaty. Thus, despite the low existing trade and investment flows between the two

countries, it is expected that the activities will not only increase the flows, but also deepen the cooperation between the two countries beyond trade and investment

(ii) Aligned to bilateral or regional Interests: Both countries aim to increase trade and investment flow bilaterally – this will automatically increase trade and investment in the region. As each country is member of certain regional agreements (and co-members in AANZFTA and RCEP), it is in its interest to align the bilateral objectives with those of the regions’.

(iii) Mutually beneficial opportunities: implementation of agreed commitments is clearly in the interests of both parties. The socialisation activities will focus on both complementarity of economies, and the ‘powerhouse’ model whereby Australian inputs, investment and expertise join force with Indonesian materials and labour to tap into opportunities in third markets.

(iv) Politically feasible and practical: Dedicating some of the ECP funds to implementation of IA-CEPA has been discussed throughout negotiations and consultations for the ECP. The tools proposed are common bilateral regulatory cooperation mechanisms. Embedding staff within agencies can sometimes present administrative issues, which will have to be considered.

(v) Reflect Australia and Indonesia’s comparative advantages: The socialisation activities of this activity will focus on the complementarity principle at the heart of the two economies.

(vi) Prioritises catalytic outcomes: The success of IA-CEPA will provide a good example for the other trade agreements under negotiation and will bring economic benefits to the region. Socialisation activities at an industry sector and regional level should be focused on raising awareness of opportunities beyond the traditional peak industry groups.

(vii) Co-contribution: It is anticipated that the Indonesian Government may contribute funding towards the ECP.

Context analysis

Indonesia with its 250 million population and aspiring middle class is a massive country and a key economic player in the Southeast Asian region. Australia, with a population of one-tenth, yet an economy of ten-times as big, is an important neighbour. At present both trade and investment volumes between the two countries seem inconsequential – less than 3% for the former and less than 2% for the latter.

But there are potential growth sectors such as health, education, and tourism. From a trade in goods perspective, one may see Indonesia and Australia as two countries competing in the world market, especially in resource-based products. Yet, more disaggregated data reveal potential complementarities between these two countries. In the era of global production networks, Indonesia and Australia can work together to tap into global opportunities. For example, Indonesia is a key player in instant noodle production – with a majority of wheat having originated in Australia for some years.

Potential complementarities extend to services sector. Australia has long been a major destination for young Indonesians looking for quality higher education, whereas Australian tourists have been contributing to Indonesia’s exports of services, predominantly through Bali. Such comparative advantages can grow further with better integrated production networks, for example, where Indonesian hospitality firms would benefit from Australian vocational training.

The conclusion of the IA-CEPA provides a strong platform for re-energising trade and investment between the two countries. The ECP will support this ambition.

Activity logic

Goal: To ensure the outcomes of the IA-CEPA are maximised, increasing trade and investment flows.

Contributes to: ECP End of Program Outcome 2 – Better Integrated Markets.

Activity Objectives

- To maximise the implementation of IA-CEPA.
- To identify opportunities for Indonesia to tap into third markets

- To deepen the cooperation between Australia and Indonesia beyond trade and investment.
- To demonstrate the benefits of IA-CEPA as a good example for other trade agreements under negotiation in Australia and Indonesia

Intended outcomes

End of Activity Outcomes

- IA-CEPA is implemented efficiently and effectively.
- Increased trade and investment flows.
- Viable opportunities for Indonesia to tap into third markets are supported.
- Australia and Indonesia has a deeper and trusted trade relationship across more sectors.
- The benefits of IA-CEPA are demonstrated through a clear evidence-base; delivered to all sectors of the community; and acknowledged by the broader industry sectors, business and government.

Intermediate outcomes

- Viable ‘powerhouse’ opportunities are identified and feasibility assessments undertaken.
- The regulatory and policy framework is established for the implementation of IA-CEPA.
- Evidence begins to demonstrate IA-CEPA utilisation, and that IA-CEPA delivers significant economic and broader benefits.
- New business partnerships emerge between Indonesia and Australia.

Immediate outcomes

- Raised awareness of opportunities under IA-CEPA.
- Raised interest of local and provincial economies, governments and markets in IA-CEPA.
- Industry groups feel ownership of the bilateral trade and investment relationship.
- Greater understanding of how governments and business can take advantage of IA-CEPA.
- Indonesian government is using ECP for advice and assistance implementing IA-CEPA.

Activities and Outputs

1. Develop the IA-CEPA Implementation Workplan during the mobilisation phase of the program, including milestones under this Activity for the coming 12 months. The Workplan will be a working document updated following each monthly management meeting during the first 12 months.
2. Undertake a Needs Assessment on legislative and regulatory implementation of core and broader IA-CEPA commitments, in the context of multilateral, regional and bilateral trade commitments, and applying a gender and social inclusion lens, resulting in recommended modalities for IA-CEPA implementation support.
3. Pursuant to findings in the Needs Assessment, establish advisory services on regulatory design and drafting, including at sub-national level.
4. Pursuant to findings in the Needs Assessment, establish technical advocacy services to provide ongoing engagement with the Indonesian government to provide information, background and analysis on various aspects of IA-CEPA – including fact sheets, workshops and targeted research.
5. Establish monitoring and evaluation tools and processes to measure IA-CEPA utilisation, trade creation impacts, economic and broader impacts.
6. Undertake high-level research into sectoral complementarities and opportunities for ‘powerhouse’ collaboration, commencing with a baseline study on prospects for strengthening linkages between Indonesian fast-growth digital service firms and Australian capital markets.
7. Establish a platform for business dialogue and industry engagement in Australia and Indonesia to broaden industry awareness, involving female and young entrepreneurs.
8. Pursuant to findings in the Needs Assessment, establish an exchange program with officials involved in trade regulatory implementation

9. Pursuant to findings in the Needs Assessment, facilitate the short-term placement of officials in trade-related Ministries.
10. Establish a communications strategy to raise awareness of IA-CEPA including (1) undertaking case studies to raise the profile of bilateral economic ties; and (2) conducting information sessions with provincial/local chambers of commerce.

What changes are sought or intended in systems, practice, institutions, or policies?

This activity constitutes the core business of ECP. As such, it aims to ensure that the economic cooperation component of the IA-CEPA treaty is delivered in a way that maximises the benefits of the treaty for both countries. Following completion of a Needs Assessment, exchanges and embedding of officials between trade-related agencies could expose participants to different regulatory practices in implementing trade agreements. Socialisation activities focused at both industry sectors and sub-central regions should bring the message of Australia-Indonesia trade and investment opportunities beyond the usual centralised stakeholders. Monitoring and evaluation will provide the evidence to demonstrate the utilisation, economic and social benefits that IA-CEPA delivers.

How the Activity will be implemented

The Activity will be achieved through four streams of works, namely (i) implementation, (ii) socialisation (iii) opportunity assessments and (iv) monitoring, evaluation and learning. These involve deep and ongoing exchange between Government officials, industry groups and local (i.e. subnational) stakeholders.

1. IA-CEPA Implementation: Needs Assessment: IA-CEPA core and broader commitments

The ECP will support a Needs Assessment to assist in IA-CEPA implementation, with a focus on legislative and regulatory requirements for implementation of the core commitments across goods, services and investment and implementing broader commitments of the agreement on a chapter-by-chapter basis. The Needs Assessment will set out, on a prioritised basis, the legislative, regulatory and policy work that is needed for full implementation of the agreement, and the modalities recommended to achieve this. The Needs Assessment will apply a gender equality and social inclusion lens to ensure IA-CEPA benefits all sectors of the community.

An issue for consideration in the study is the implementation of IA-CEPA in the context of existing trade commitments, and domestic (unilateral) regulatory reform. As IA-CEPA is not the only game in town, it is important for a technical assessment to be undertaken to examine how both countries can take advantage of the treaty while ensuring consistency with WTO, bilateral and regional trade commitments. The study should also address the fact that the utilisation rates of trade agreements across the world are generally low³⁸, and so can offer ways for IA-CEPA to be more effective.

The ECP will draw from a range of practical measures to progress the IA-CEPA implementation work plan. These will respond to the findings of the Needs Assessment, and may relate specifically to matters of IA-CEPA technical implementation, may examine the practice of implementing trade agreements across trade and line agencies, and may focus on practices of socialisation and advocacy for trade reform and FTA utilisation. Activities may include: (i) exchange of officials involved in trade regulatory implementation, (ii) short-term embedding officials in trade-related Ministries (including Indonesian officials in Australian agencies) for similar, and (iii) direct regulatory design and drafting advice. A substantial portion of these practical measures will focus on assisting the sub-national level of Government in Indonesia. This 'localisation' of IA-CEPA will be critical to maximising outcomes and utilisation across Indonesia.

2. IA-CEPA Socialisation

Technical Advocacy

The experience of FTA implementation is that consistent advocacy is required. The ECP will support an ongoing engagement with the Indonesian Government to provide information, background and analysis on various aspects

³⁸ Studies by the Asian Development Bank and UNESCAP have shown utilisation rates for FTAs in the Asian region are typically below 50% (<https://www.unescap.org/sites/default/files/polbrief45.pdf>) while a study by PWC for DFAT has shown utilisation on merchandise trade under North Asian FTAs in the 80%-90% range.

of the IA-CEPA. This will take the form of fact sheets, Government workshops and research to support particular aspects of IA-CEPA implementation as the needs arise.

Much of this work will focus on highlighting the complementarities of the Indonesian and Australian economies, and the opportunities for joint success in third markets. It is only when trade data is disaggregated that the potential complementarities between the two countries are revealed. Potential complementarities extend to services sector. Australia has long been a top destination for young Indonesians looking for quality higher education, whereas Australian tourists have been contributing to Indonesia's exports of services. Such comparative advantages may grow further with the production networks, where the Indonesian hospitality sector would benefit from Australian vocational trainings. This type of sectoral analysis will assist in the advocacy required to maintain a high level of support among Government, industry groups and consumers.

Business Dialogue

A program to engage directly with business and industry groups will raise awareness of opportunities under IA-CEPA, drive interest in other ECP sectoral activities, and provide a channel of communication with industry groups to ensure ongoing support. The business dialogue will place a strong emphasis on increasing opportunities for women as a result of IA-CEPA implementation.

Seeking to have industry groups feel 'ownership' of the bilateral trade and investment relationship will be an important factor in countering any negative sentiment towards IA-CEPA. To achieve this, the ECP will engage with a variety of industry associations and platforms, with the offer of seminars and workshops focused on IA-CEPA outcomes and opportunities. This will ideally go beyond the 'traditional' stakeholders in the bilateral trade and economic relationship, including female and young entrepreneur groups, to broaden industry awareness. This type of dedicated Indonesian industry engagement funding for a trade agreement is a novel approach to proactive advocacy. The ECP may also use this to drive interest and engagement with the other sectoral partnerships and initiatives undertaken by the ECP.

IA-CEPA Localisation

Indonesia undertook its 'big bang' decentralisation initiatives in the early 2000s. Since then, the number of administrative regions has multiplied with local governments now wielding significant power, including in trade and investment. It is important therefore to engage the sub-national stakeholders on issues related to IA-CEPA implementation.

The ECP will support research and activities, beginning with the regions in which Australian Consul-Generals are located, to raise the interest of local and provincial economies and market actors. Similarly to the industry-specific dialogue, the localisation initiative would present the IA-CEPA and the opportunities in the bilateral trade/investment relationship in terms that resonate with the local economy. The activity will commence with high level research into sectoral complementarities, opportunities for 'powerhouse' collaboration, and raising profile of existing bilateral economic ties. Localised activities will include information sessions with provincial/local chambers of commerce and interest groups, fact sheets and potentially development of local industry profiles. Utilisation of existing networks, such as the Australia-Indonesia Centre's PAIR program, should be considered.

3. Bilateral Economic Opportunity Assessments

Opportunity Assessments will examine which economic sectors in the global economy present the greatest mutually beneficial prospects in the coming 5 to 20 years. This reflects ambitions for the ECP as directed in DFAT's Investment Concept, "*ECP will support expanding traditional trade as well as deepening industry linkages to develop a second wave of commercial opportunities, including in cutting-edge areas such as the digital economy and research through stronger industry and institutional linkages.*"

These assessments will propose strategies for deeper engagement, developing a base of data, insights and analysis for consideration in the lead up to the IA-CEPA review, which is due five years after entry into force.

The assessments would respond to sectoral priorities of Indonesia and Australia that demonstrate mutual benefit, for example by building on inputs (goods and services) from both countries. Priority should also be given to sectors that demonstrate potential export opportunities to third markets. In addition to examining new sectors of the global

economy, such as digital commerce and creative industries, the ECP may also build on research from the Australia Indonesia Centre³⁹ on four prospective sectors: food processing, textiles & fashion, logistics and animal products.

For year one, the proposed focus is on opportunities to strengthen digital services and capital market linkages. With relatively shallow capital markets in Indonesia, many Indonesian firms are looking to offshore private equity, venture capital and routes to publicly traded capital raisings. On the Australian side, private capital has not yet fully appreciated the opportunity and quantified the risks in partnering with Indonesian firms. There is also a gap between Indonesian and Australian corporate governance and reporting standards. Strengthening linkages between Indonesian fast-growth digital services firms and Australian private and publicly-trade capital markets, will make a substantial contribution to economic cooperation between the two countries.

This assessment would commence with a baseline study into regulatory, technical/governance and other barriers to deepen Indonesia's access to capital, particularly Australia's large capital market. Comparative factors for the study would include: (i) overview of Indonesian fast-growth technology startups and usual sources of capital, (ii) legal/regulatory landscape for foreign funding, (iii) corporate governance and reporting standards differences between markets, and (iv) technical approaches to valuation in Indonesia and Australia. The research would consider the standards and reporting requirements required for Indonesian firms to comply with Australian listing requirements, and recommend paths to boost Indonesia's compliance. The report would also seek insights from industry on approaches to overcome challenges identified, and will inform the components of the forward work-plan in other work streams. It may also consider the prospects for a future mechanism under the ECP to foster exchange and learning opportunities between Indonesian fast-growth firms and Australian private capital to build corporate governance standards in Indonesia and partnership for private sector development.

4. IA-CEPA Monitoring and Evaluation

The monitoring and evaluation workstream will focus on measuring IA-CEPA utilisation, and monitoring and evaluating implementation of the IA-CEPA, with a particular focus on economic (for example, trade creation) and wider impacts (in particular, with regards to GESI outcomes). The ECP will commence this workstream with the establishment a framework for ongoing monitoring and evaluation, including quantitative and qualitative elements, and a methodology for periodic evaluations and detailed case studies. The findings will support other activities, in particular the socialisation workstream, as well as other activities implemented by the ECP.

Gender equality and social inclusion

The activity will support greater inclusion through the studies' assessment on inclusive growth, poverty, inequality, and social mobility. Opportunities to promote women and trade, through greater market access and investment will be incorporated into each of the abovementioned activities. For instance, advocacy activities will include GESI perspectives and the business dialogue will promote SME's with predominantly female employment.

The ECP leadership team includes a Gender and Social Inclusion function that will bring both a trade and investment expertise and focus on supporting greater inclusion across the entire program and activities. An early deliverable for this role will be applying the UN Trade and Gender toolkit to IA-CEPA and the ECP's program of activities. The Trade and Gender toolkit will identify opportunities to support female led trade and investment in the IA-CEPA priority sectors, and for the first time bring a deep analysis of the potential to support gender equality and inclusion through closer economic partnership.

³⁹ "Succeeding Together", accessed at https://figshare.com/articles/Succeeding_Together_Maximising_the_potential_for_joint_opportunities_between_Australia_and_Indonesia/4625890, the Australia-Indonesia Centre, February 2017.

ACTIVITY 2: AGRIFOOD INNOVATION PARTNERSHIPS

Activity in brief

The ECP will support closer economic cooperation through agrifood innovation partnerships in priority sectors, beginning with a new partnership in the grains sector and later in other agricultural sectors. Agrifood innovation partnerships will collectively provide an avenue for Australian and Indonesian agricultural and food industry firms, value chains and business institutions to deepen relationships, facilitate innovation and integration of markets, and support investment and trade. There will also be an emphasis on supporting women leaders in food innovation and strengthening opportunities for women to play a significant role in supporting and building the industry.

Agriculture is important to the Australian and Indonesian economies, with a long-established bilateral trade in agricultural products. The significance of agriculture is reflected in the IA-CEPA commitments, which cover sectors such as live cattle and beef, fruit, vegetables, milk and milk products and grains for use in flour milling and animal feed.

There is significant potential to expand two-way trade and for value-added processing of agricultural products in Indonesia for export to third country markets. Success will involve working to reduce specific non-tariff measures that restrict trade in agricultural products, while also responding to new requirements. For example, Indonesia's Halal Product Law came into effect in 2019 and many consumer products and related services that enter and are traded in the country must now be Halal-certified. Indonesia is potentially well-placed to export Halal food products with Australian ingredients to markets such as the Middle East.

The first agrifood innovation partnership sub-component supported by the ECP will be a **Grains Partnership**. Indonesia has been the single largest customer for Australian wheat for many years, with the trade proving beneficial to both countries. However, Australian grain exports and Indonesia's use of grain are changing and both industries are striving to adapt and position for sustained mutual success in the future.

Indonesian flour mills are ideally positioned to substantially build-on their export of wheat flour-based products to the world, with good growth prospects based on the changing dynamics of the domestic economy and for exports aided by Indonesia's proximity to Vietnam, China, Saudi Arabia, South Korea, Thailand, Philippines and Japan. A new pattern of demand is emerging with Indonesian consumers, with rising consumption of fresh noodles and baked products such as bread for the domestic market.

Indonesia's demand for feed grain is also experiencing sustained growth with the priorities being to increase productivity across value chains that utilize feed grains, to reduce the costs of production and to increase the availability of affordable protein such as chicken meat for Indonesian consumers.

Implementation of IA-CEPA commitments will provide improved access for feed grain imports from Australia. This feed grain is vitally important to complement Indonesia's domestic grain production for the expanding local poultry, aquaculture and cattle industries. Imports by feed mills and directly to regions where expansion of cattle and poultry industries are planned and could provide efficiencies and support regional growth plans.

The grains partnership through the ECP will accelerate the transition and prosperity of both industries over the next five years. The grains partnership is a strategic initiative to create deeper relationships across grains value chains for the mutual benefit of Australia and Indonesia by:

- Strengthening grains value chain leadership by engaging Indonesian industry women and men leaders and managers to build capability in modern operating environments;
- Building technical capability for milling wheat, feed grains and livestock nutrition sectors, including train the trainer activities involving women and men in **Indonesian MSMEs from the wheat flour sector** (baking, fresh noodles) and staff working in the feed milling sector; and
- Collection and sharing of value chain information and harmonisation of standards and conformance.

Beginning with grains in the first year, agrifood innovation partnerships will bring a whole of agriculture approach that is inclusive of both governments and potentially all the agricultural industries listed in the IA-CEPA. It will

provide one clear point for collaboration at scale, and enable more resilient industries, with increased trade and investment based on deeper relationships, knowledge and technical skills across value chains.

Period of funding and total funds requested

The proposed budget for this activity is \$7.5 million over 5 years. Indicative costs are provided in the table below. Additional co-funding or in-kind contributions will be sought from the Government of Indonesia and Australian grains value chain businesses.

Financial Year	2020-21	2021-22	2022-23	2023-24	2024-25
\$m	0.9	1.4	1.6	2.1	1.6

Partner agency(s) or institution(s), branch and work group

The activity will involve working with the following partners, institutions and groups:

- **The Australian Department of Agriculture**, being responsible for Australia’s policy and engagement on agricultural issues and having extensive existing programs and partnerships in Indonesia.
- **The Australian Export Grains Innovation Centre (AEGIC)** could provide the interface with the Australian grains industry and lead the technical capacity building activities.
- AEGIC could coordinate with industry groups that offer linkages with value chain businesses in the two countries, such as: **Stockfeed Manufacturers Council of Australia; Indonesian Feed Mills Association (GPMT); Indonesian Flour Milling Association (APTINDO); GrainGrowers Ltd, Grain Producers Australia, Grain Trade Australia and the Grains Research and Development Corporation.** There is also scope for linkages with the **Australian Food and Grocery Council, the Indonesian Food & Beverage Association (GAPMMI) and the Indonesia Food and Innovation Centre (IFIC).**
- **The Ministry of Industry will continue to support IFIC** through collaboration with GAPMMI, the relevant Centre for Business Innovation (BIC), relevant Australian agencies such as the Commonwealth Scientific and Industrial Research Organisation (CSIRO).
- **Specific companies** will be engaged to support this activity. In Indonesia, the participation of flour mills will provide an important avenue for development and delivery of training with small to medium enterprise customers. Similarly, the participation of feed mills will enable design and delivery of technical training.
- **The Australian Bureau of Agriculture, Economics and Research (ABARES)** will work with the **Indonesian Ministry of Agriculture** to share methods and approaches for forecasting the domestic and Australian supply of grains for Indonesian mills. This work will support government to government cooperation in areas where independence from industry and markets is essential – e.g. variability in forecasts of production increases risk for businesses that require reliable supply.
- **Standards Australia and BSN** will continue their partnership to improve alignment of standards and conformance and develop the standards and conformance ecosystem.
- **Prospera’s Markets Engagement Area**, which has previously provided policy advice on corn in Indonesia.

Activity assessment against investment criteria

INVESTMENT CRITERIA:

(i) Maximising the outcomes of IA-CEPA: These activities **align with IA-CEPA outcomes** in goods and investment. Through closer partnerships between industries, building technical skills, and better alignment of standards and conformance, this work supports enhanced trade and investment between Australia and Indonesia.

(ii) Aligned to bilateral or regional interests: Agriculture including grains and food processing are priorities in IA-CEPA, and have the potential to support bilateral and regional development through trade, investment and third-party markets. For example, the ingredients from Australia can be processed in Indonesia and the products exported to third markets, creating a 'powerhouse' model.

(iii) Mutually beneficial opportunities: Indonesia is seeking to support its value-adding and food exports, strengthen long-term food security to fulfil the increasing domestic demand and build human capacity and technical training within its agrifood industries. Australia is seeking to facilitate exports of agricultural products including grains with Indonesia and other growth economies in the region, and to support growing Indonesian businesses, particularly encouraging women business leadership, across the value chain to become more integrated with global supply chains.

(iv) Politically feasible and practical: agrifood and specifically the grains partnership is a political priority of both the Australian and Indonesian governments. The activity is designed to begin by working with organisations already participating in the grains value chain across the two countries to achieve practical outcomes in the near term.

(v) Reflect Australia and Indonesia's comparative advantages: Indonesia has major capacity in flour milling and feed grain milling, along with growing domestic demand and significant export opportunities for products such as instant noodles. Australia's comparative advantage is in the supply of high-quality grains, and the associated research, technical capabilities and skills required across production and processing to optimise value for consumers. Australia is also focused on applying a gender equality and social inclusion lens on policies and business opportunities. The design draws on respective capabilities across the whole grains value chain.

(vi) Prioritises catalytic outcomes: The activity has the potential to support immediate trade opportunities while also building more capabilities in Australia and Indonesia. For instance, collaboration on the grains value chains for artisan bakeries and fresh noodles could demonstrate opportunities to better match the wheat varieties grown in Australia to optimize value for Indonesian businesses. Promotion of the outcomes would be facilitated through industry engagement of participants at an annual forum (which could expand to include other agricultural industries included in IA-CEPA as they become involved in agrifood innovation partnerships).

(vii) Co-contribution: Co-contribution will be sought from government and the private sector where trade and investment opportunities are complimentary. In-kind contributions from the private sector will also be sought for partnership events, studies and training events and a co-contribution will be sought from other partners if they are engaged in the activity, such as AEGIC.

Rationale for the activity

Context analysis

Better integration of agricultural value chains with food manufacturing and innovation will leverage the advantages of Indonesia and Australia in supplying high quality agricultural products and manufactures to other countries in the Indo-Pacific region and beyond. The agrifood innovation partnerships will provide avenues to accelerate economic development by bringing value chain firms and institutions such as business associations together from across the agricultural sectors covered in the IA-CEPA commitments.

Grains and particularly wheat are an especially important part of agrifood value chains.⁴⁰ For example, flour products are used with many other ingredients such as palm sugar, vegetables and spices in food products from bread and biscuits to soups and noodles. These products are consumed domestically and the opportunity is for innovation with products using wheat flour for new, nutritious value-added foods for Indonesian consumers and exports to Australia and third countries.

The supply of grain for export from Australia has declined in recent years, with domestic grain prices increasing as production is impacted by prolonged drought. Rising competition from low-cost/lower quality sources such as the Black Sea has enabled those countries to now provide a larger share of Indonesia's grain import requirements.

These and other changes in supply, pricing, competition and Indonesian consumer demand all signal a major strategic shift in the nature of grain trade relationship between Indonesia and Australia.

As recently as 2017, Australia had been the preferred source of wheat due to the noodle industry's demand for Australian standard white wheat, competitive price, and close proximity to Indonesia. However, the reduced availability of Australian wheat in recent years has meant that noodle manufacturers have met supply needs from alternative sources, with manufacturers and consumers adjusting to noodles that are made with flour from a blend of wheat sources. This trend is expected to continue and has particular implications for Indonesian businesses producing fresh noodles, as flour from different sources have different attributes such as eating quality.

Indonesian milling wheat imports are around 10 million tonnes/annum, with most flour used for instant noodles where consumption has plateaued at about 8 kg per annum. The Indonesia flour milling sector is large and growing, but is also characterised by a high degree of concentration. There were 28 flour mills operational in 2019 with a total reported capacity of 11.8mmt per year. Increasing consolidation among the large firms has been a contributing factor to improved efficiencies.

Per capita consumption of flour in Indonesia is around 4.7 kg/year and forecast to grow to 6.6 kg by 2030. Over half the flour used is for noodles and the three main types of noodles produced are: instant noodles, dried noodles and fresh noodles. Instant noodle manufacture is by far the dominant form, with large-scale manufacturers producing instant noodles in state-of-the-art facilities. By contrast, fresh noodles account for about 20% of noodle consumption and are produced by small- to medium-sized food producers. This latter group makes up about two-thirds of Indonesia's flour milling customers.⁴¹

The global trade in instant noodles has expanded from around US\$1 billion in 2004 to US\$2.8 billion in 2014. Indonesian exports have flourished, going from being the fifteenth largest exporter in 2004 to the second largest in 2018 (behind China).

More recently, relatively stable macro-economic conditions have allowed middle and upper-middle income consumers to diversify their diets to include more western-style foods like bread and pasta. Rather than eating rice three times daily, many Indonesians have switched to eating bread or noodles for breakfast. Restaurants and high-end bakeries are also driving demand for wheat-based food products, especially in major cities such as Jakarta, Surabaya, Medan, and Bandung. The future is likely to see increased usage of flour for the manufacture of bakery products including breads, cookies, cakes, buns and other wheat-based snacks.

⁴⁰ An initial focus on grains does not detract from other key agrifood sectors in the bilateral relationship, such as meat, live cattle, horticulture, dairy. These may be the focus of other existing programs or, at the discretion of the ECC, future innovation partnerships under this activity.

⁴¹ <https://www.aegic.org.au/wp-content/uploads/2019/12/AEGIC-Bread-and-baked-goods-in-Indonesia.pdf>

Importantly, the feed milling sector is growing faster than the wheat flour milling sector in Indonesia. Consumer demand for affordable protein such as chicken meat is growing and the feed milling industry is striving to improve scale and productivity. Implementation of the IA-CEPA commitments will provide improved access for the supply of Australian feed grains to Indonesia, opening opportunities for integration with value chains with benefits for firms and consumers.

The Indonesian feed mill sector consists of 97 feed mills in total and about 69 are located on Java. Collectively, they have an installed capacity of around 25.5 million tons, which is an increase of 3.2 percent from 24.7 million tons in 2018. Feed mills are running at 80 percent of the total installed capacity.⁴²

Indonesia is seeking to become a major player in the export of agrifood products and thus, policies and practices that will harmonise and simplify regulations across the APEC region will have substantial benefit for the flour milling and value-added food sectors.

The suite of activities required to advance the grain partnership between Australia and Indonesia are a combination of relationship building, industry partnership, leadership and technical skills, continued progress in the opening of markets for trade and investment in food processing and sharing knowledge on respective sector capabilities.

Activity logic

Indonesia's demand for imported baking wheats is expected to grow. Over the next decade, Indonesia's bread and baked goods market compares favourably with alternative markets in terms of potential volume and margin for Australian exporters.

Australia has the technical capability to produce suitable higher protein baking wheat varieties and share in the benefits of this growing opportunity. An implication is that the Australian industry could prioritise the development, segregation and marketing of wheat varieties for this specific segment. The grains partnership activities will inform and potentially catalyse decisions to ensure closer alignment of Australian production with the growing demand.

This activity requires a flexible approach to scoping and diagnostic, building partnerships where opportunities are identified and adapting delivery models to suit the specific needs of the Indonesian food processing industry. A gender equality and social inclusion lens will be applied to the diagnostic approach to ensure industry development is fully inclusive.

The demand from Indonesian consumers for affordable protein such as chicken and beef is also growing. Australia is well-placed to be part of feed grain supply chains and contribute to the increase in local protein production. Australia can also provide technical knowledge and skills to enhance efficiency and productivity in feed milling, further reducing the costs of production for poultry and beef farms.

This activity will enable increased trade and investment flows with expansion the wheat flour and feed grain industries, based on strengthening the quality of partnerships, improved alignment across value chains and harmonising of the standards ecosystem for agrifood industries. It will lead to opportunities for Indonesia to strengthen its value-added agrifood exports.

Goal(s): To increase the grain and food processing product trade between Australia and Indonesia; and increase support and investment in food processing in Indonesia as a prosperous and value-added industry

Contributes to: ECP End of Program Outcome 2 – Better Integrated Markets

Activity Objectives

- To identify opportunities for grain partnerships in food processing and animal feed.
- To train local male and female trainers and business leaders in the grains value chain.
- To implement **training programs on grain and food processing to allow SMEs** to take advantage of Australian grain in the production of baked goods and noodles, and to increase capacity of food processing, food standards and safety requirements.

⁴²[https://apps.fas.usda.gov/newgainapi/api/report/downloadreportbyfilename?filename=Grain%20and%20Feed%20Annual Jakarta Indonesia 3-26-2019.pdf](https://apps.fas.usda.gov/newgainapi/api/report/downloadreportbyfilename?filename=Grain%20and%20Feed%20Annual%20Jakarta%20Indonesia%2026-2019.pdf)

- To increase female labour force participation in grains value-chain businesses in Indonesia across all levels.
- To enhance research, collaboration on grain and food processing, including in the field of organoleptic food testing and food flavours, to support the creation of a powerhouse model.

Intended outcomes

End of Activity Outcomes

- Deeper, more resilient industry partnerships with increased trade and investment, and greater support for women leadership in the industry.
- Expansion, investment and innovation of the food processing industry in Indonesia using Australian wheat for producing baked goods and noodles.
- Increased export opportunities for Indonesian businesses in food processing and animal feed, including the ones involving Australian grains, to Australia and other countries
- Increase productivity and innovation across value chains that use feed grains to reduce cost of production and increase availability of affordable protein for poultry, aquaculture and cattle.
- Standards and conformance in the sector are harmonised between Australia and Indonesia
- Improved capacity in modern operating environments for feed and grain mills.

Intermediate outcomes

- Increased grain trade between Australia and Indonesia for feed mills and grain mills.
- Improved capacity of male and female leaders and middle managers in the private and public sectors on grains value-chain and grain value adding businesses.
- Emerging partnerships in the grains value chain between Australia and Indonesia.
- Train the trainer participants, both men and women, commence training of others in food processing, baking and noodle production.

Immediate outcomes

- Increased awareness of opportunities for grains partnerships and industry development between Australia and Indonesia.
- Information is collected and shared on value chains in the grain industry to assist industry development and forecasting.
- Increasing demand for participation in training programs, including greater female participation.

Activities and Outputs

- Develop and implement a training program on Grains value-chain leadership for male and female leaders and middle managers in the grains industry.
- Develop the **Food Advantage training program aimed at Indonesian SME's**. It involves a train the trainer program and delivering technical training modules for SME's involved in the production of baked goods and fresh noodles.
- Establish a grains partnership annual forum or symposium to bring together businesses, trainers and alumni to share latest trends, innovation and technology. There will be an emphasis on creating greater opportunities for women leaders in the industry.
- Undertake a scoping study to identify the major technical barriers for feed mills in Indonesia to be more adaptive, efficient and effective at processing Australian grain.
- Develop a train the trainer program on advanced feed milling technology and processes.
- Implement a government to government program to improve industry forecasting and sharing lessons between Australian and Indonesian industry.

KPIs

- Trade and investment flows

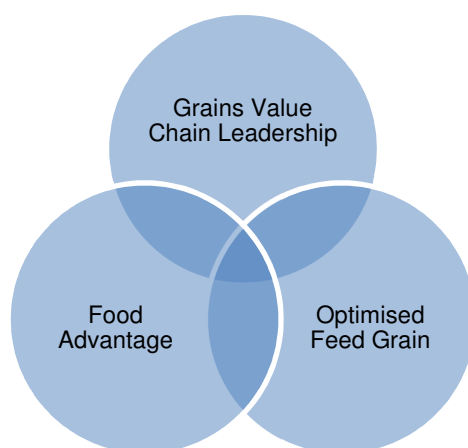
- Quality of partnerships in grain and food processing industries
- Degree of alignment of food processing standards
- Number of women in industry leadership positions (Boards, Partnerships, Executive positions)
- Number of males and females trained
- Level of new industry investment

What changes are sought or intended in systems, practice, institutions, or policies?

This activity fits within the ECP Investment Prioritisation Framework being focused on the priority sector of agrifood and contributing to the outcome of “Better Integrated Markets” through closer partnerships and aligned standards.

How the Activity will be implemented

This activity will be achieved through three major components of work across the grains value chain and enabling government to government activity for collection and forecasting of grain production. **The Grains Partnership is proposed as the first agrifood innovation partnership to be established in the ECP.**



1. Developing grains value chain leadership

The operating environment for all organisations involved in Australia/Indonesia grains value chains is changing rapidly at both strategic and operational levels. These changes are driven by consumers, competitors, climate change, biosecurity and technology. The dynamic environment presents challenges for government policy-makers, regulators, industry organisations and businesses in both countries.

Developing the capacity of men and women leaders and middle-managers in the private and public sector is fundamental to enable and accelerate the transition and growth of grain value chain businesses.

A grains value-chain leadership course will be designed and offered for up to 25 people per year over five years. It will involve a short course of two weeks in Australia including pre and post workshops for participants and be delivered through the Australia Awards program. Participants would include Indonesian government officials and middle managers from businesses such as: flour and feed milling; food processing; and livestock production. There will be an emphasis on involving equal numbers of men and women.

People from medium or larger Indonesian businesses involved in grains/food value chains that operate nationally, but are not yet involved in export would be encouraged to be part of the leadership course, particularly women. These ‘export ready’ firms are well-positioned to take the next step and become involved in exporting, which is a high priority for the Indonesian government.

Opportunities will exist to link the grains value chain leadership activity with existing initiatives in regions where there is a significant grains processing industry. For example, with the Partnership for Australia-Indonesia Research (PAIR) in Makassar. Similarly, there will be opportunities to work in those Provinces where there is an Australian Consulate General office, which can advise and contribute to tailoring of the partnership at local level.

2. Food Advantage: technical capability for wheat flour value-added products

More than two-thirds of baked goods in Indonesia are produced by small, traditional, family-owned enterprises and similar SMEs. A further 11% is produced by small boutique bakeries, while larger, mass-market enterprises produce 19% of Indonesia's baked goods. Similarly, small- to medium-sized food producers produce fresh noodles, which makes up about two-thirds of Indonesia's flour milling customers.

The Food Advantage program will be aimed at Indonesian SME's. It involves a train the trainer program and delivering technical training modules for SME's involved in the production of baked goods and fresh noodles. In particular, the training will use Australian flour and blends and train SME's in how to optimise value to their business from using Australian flour.

The technical information and training modules will be developed during the first year and based on existing research and current research being conducted by AEGIC and in collaboration with the Indonesian flour milling association (APTINDO). Delivery of the modules will be through 2-4 days training events held in training room facilities of Indonesian flour milling companies. The milling companies will offer the training to their SME suppliers, with financial or in-kind contributions from participants. Participants will be selected to ensure there are equal opportunities for women and people living with disabilities.

The approach will be practical, commercially-oriented and link directly with each milling companies' SME customers. In this way, a large number of SME's can access the training over the course of the ECP and it aligns with links across the grains value chain.

Australia's potential to benefit from serving Indonesia's bread and baked goods sector is likely to arise via the use of Australian wheat being included in premium bread flour blends, due to the relatively affordable functionality of suitable Australian wheat classes.

However, success will depend on Australia's ability to reliably produce sufficient quantities of wheat with the protein levels and functionalities required by end-users and recognition by end users of the business value offered by using Australian flour.

Supply of functionally attractive wheat from Australia will help Indonesia to diversify its sources of wheat for the bread and baked goods segment. This will add to Australia's reputation as a supplier of functional wheat for use in a range of wheat products.

The primary partnership for this activity is between APTINDO and an equivalent Australian-group such as AEGIC and could be fostered through annual meetings of member businesses, trainers, students and alumni to share information on what is being learnt and achieved – these could be done in association with existing industry events and potentially with participants from other agrifood innovation partnerships.

3. Optimised feed grain: technical capability for feed milling and livestock nutrition

The feed milling sector is growing faster than the wheat flour milling sector in Indonesia. The increased volume of grain required by feed mills creates increased supply-side risk (e.g. due to seasonality domestically and overseas) and challenges with constantly adapting to integrate grains of different types, sources and costs into production.

Feed mills must be agile and constantly make decisions that will optimize feed mixes by integrating grains from different sources (domestic and overseas), while matching the quality, nutritional attributes and cost requirements of their customers. The performance of Indonesian feed mills has a major influence on the viability and productivity of end-users such as the poultry industry, which represents 90 per cent of the market for feed. This activity also has prospects for good outcomes on animal health.

A scoping study will be conducted in the first year to identify the major technical barriers (and identify other factors such as capital or infrastructure) for feed mills becoming more successful in constantly adapting operations to more closely match changing supply and demand.

In the second year, a train the trainer program will be designed and implemented, based on the findings of the scoping study and in consultation with GPMT. The targeted program could adapt selected modules and include relevant topics from the training in advanced feed milling developed by the Stockfeed Manufacturers Council of

Australia.

During years 3-5, training of staff will be delivered as a two-day session on each module/topic at training rooms available at individual feed mills.

The primary partnership for this activity is between GPMT and SMCA and could be fostered through annual meetings of member businesses, trainers and students to share information on what is being learnt and achieved – these could be done in association with existing industry events or combined with a wider agrifood innovation partnerships event.

4. Forecasting initiative

The forecasting initiative is a government-to-government partnership activity, designed to improve forecasting capability, share methods, approaches and information between the two nations. Subject to consultation, the partnership is between ABARES and MoA, with an exchange being arranged annually, supported by seminars and meetings delivered via videoconference.

Gender equality and social inclusion

There is significant potential to increase female labour force participation in agrifood value-chain businesses in Indonesia at all levels. In the grains partnership, this activity will support greater gender equality and social inclusion through the active engagement of women in the baked goods and fresh noodle business sectors and the feed mill sector. The ECP will seek 50 percent female participation in the training and industry engagement events.

The grains partnership will work with organisations that represent people living with disabilities, to explore opportunities for their participation.

ACTIVITY 3: POWERING ADVANCED MANUFACTURING

Activity in brief

Advanced manufacturing has the potential to add value and transform Indonesia's productivity and industrial development. Australia has complimentary skills to support these goals in high value sectors. Developing sustainable supply chains to power advanced manufacturing is a clear area of mutual interest and this activity will explore that opportunity in specific categories, while also demonstrating potential collaboration across the broader manufacturing sector. There are also significant opportunities to increase women's participation across the sector, including in leadership positions.

A range of potential opportunities for collaboration in advanced manufacturing exists between Australia and Indonesia. The World Economic Forum identifies the need for more multilateral, platform models (collaborative networks that minimize structural differences) and direct, proactive interventions to develop more localized technologies and boost production capabilities, including for SMEs.⁴³ This activity will explore opportunities for Australia and Indonesia to collaborate across these areas.

A particular opportunity proposed by Indonesia, is for Australian industry expertise and trade in components, core material and other inputs that will support the design and development of a battery for an electric vehicle, a core priority in Indonesia's industrial development plans. Indonesia is currently partnering with Japan in the development of an electric vehicle designed for domestic and export markets, including the ASEAN region. This work has revealed major component and skills needs in sectors where Australia has a clear comparative advantage. Opportunities have been identified in automotive componentry, as well as in lithium battery technology and inputs, with lithium batteries being a major component of electric vehicles. Australia is well placed to collaborate with Indonesia to advance capability and increase supply to meet Indonesia's needs.

The ECP will convene a process between Indonesian automotive industry and Australia's advanced manufacturing industry to explore opportunities to support these efforts, including for SMEs. This work will include a scoping study into complementarities and opportunities for Australia's components, raw materials and precision engineering industries to support Indonesia's ambitions for an electric vehicle, modelled on similar initiative undertaken by the Thailand Board of Investment. A dialogue will also be established between DISER and appropriate Indonesian counterpart to discuss the short, medium and long term requirements for raw materials and components into electric vehicles, with a focus on understanding the respective role of each country in developing their side of the supply chain.

This activity will also explore opportunities to expand trade and investment across other advanced manufacturing industries. A partnership is proposed between Australia's Advanced Manufacturing Growth Centre (AMGC) and the Indonesian Chamber of Commerce and Industry (KADIN) or other relevant industry representative organisations to establish a dialogue to explore opportunities in other sectors, including increasing women's participation and leadership. This work will be coordinated with DISER and Austrade given their established relationships and role working with both these organisations.

Trade and investment in advanced manufacturing requires further alignment of standards between the two countries manufacturing sectors. Standards Australia undertook a study in 2015 on opportunities to work towards agreed global standards in partnership with Indonesia. This activity will support the continuation of these efforts, looking at standards in priority sectors, potentially electrical and nutraceutical standards (including the impact of regulatory standards on trade, such as halal requirements), in subsequent years.

Over the five year life of ECP, this activity will expand the partnership in manufacturing to other industries, with processed foods and health sector vitamins and supplements (nutraceuticals), identified as priority sectors with significant economic potential, government and private sector interest in both Indonesia and Australia, and alignment with IA-CEPA. We would expect that Indonesia's MSME sector would be a key beneficiary of this work.

Period of funding and total funds requested

⁴³ http://www3.weforum.org/docs/WP_Shaping_ASEAN_Future_Readiness_report_2018.pdf

The proposed budget for this activity is \$5.0 million over 5 years. Indicative costs are provided in the table below. Additional co-funding or in-kind contributions will be sought from the Government of Indonesia and Australian manufacturers.

Financial Year	2020-21	2021-22	2022-23	2023-24	2024-25
\$m	0.6	0.9	1.0	1.3	1.2

Partner agency(s) or institution(s), branch and work group

The activity will involve working with the following partners, institutions and groups:

- **The Indonesian Coordinating Ministry for Economic Affairs**, given their role supporting policy in trade and advanced manufacturing in Indonesia.
- **The Indonesian Coordinating Ministry for Maritime and Investment Affairs and BKPM** support policy and investment in advanced manufacturing in Indonesia.
- **The Indonesian Ministry of Industry**, working collaboratively with industry to support Indonesia’s manufacturing development and access to international markets.
- **The Australian Department of Industry, Science, Energy and Resources (DISER)** will be engaged through their teams with capabilities in trade policy, advanced manufacturing, trade facilitation (standards and conformance) and Critical Minerals Facilitation Office.
- **Austrade will also be engaged to** work collaboratively with industry to support Australia’s manufacturing industry and access to international markets.
- **Private sector:** A range of private sector providers will be engaged to support this activity. Toyota, who is working in partnership with the Governments of Indonesia and Japan to design an electric vehicle, has expressed interest in working with Australian manufacturers. DISER and Austrade can provide advice on component and other input suppliers from an Australian perspective.
- **Industry groups such as AMGC in Australia, Australian Automotive Aftermarket Association (AAAA), KADIN GAIKINDO and GIAMM in Indonesia (and other relevant groups)** may be engaged in the partnership to support trade and investment in advanced manufacturing between the two countries.
- **Standards Australia and BSN** will continue their partnership to improve alignment of standards and develop the standards ecosystem.
- **Prospera’s Markets Engagement Area** have existing expertise in the Indonesian manufacturing sectors, such as electronic parts and the automotive industry. ECP will seek to collaborate with this team to build on their past work and expertise.

Activity assessment against investment criteria

INVESTMENT CRITERIA:

- (i) **Maximising the outcomes of IA-CEPA:** This activities **aligns with IA-CEPA outcomes** in goods and investment. Through closer partnerships between industries, analysis of sectoral opportunities, and better alignment of standards and conformance, this work supports enhanced trade and investment between Australia and Indonesia;
- (ii) **Aligned to bilateral or regional interests:** Advanced manufacturing is a priority contained in IA-CEPA, and has the potential to support bilateral and regional development through trade, investment and third party markets.
- (iii) **Mutually beneficial opportunities:** Indonesia is seeking significant growth in manufacturing as a source of large-scale employment. At the same time, Australia’s manufacturing industry is transforming and with emerging technologies holds significant potential for advanced skills and innovation, boosting jobs growth and value added manufacturing. Collaboration on the Indonesian government’s plans with the Japanese Government for an electric vehicle provides an opportunity to pursue complementarities in the region and secure trade outcomes in their mutual interest in regional and global markets.

(iv) Politically feasible and practical: Advanced manufacturing is a political priority of both the Australian and Indonesian governments. The activity is designed to build on existing partnerships, such as between Standards Australia and BSN, and utilise existing capabilities in agencies such as Austrade and AMGC to provide practical outcomes in the near term.

(v) Reflect Australia and Indonesia's comparative advantages: Indonesia has significant potential in manufacturing, while Australia's comparative advantage is in advanced manufacturing such as precision engineering, automation, design and innovation, and in the supply of raw materials and inputs. The design has focused on drawing on respective capabilities in specific industries - such as electric vehicles - and will explore potential industries that may have complementarities into the future.

(vi) Prioritise catalytic outcomes: The activity has the potential to support immediate trade opportunities but also build more advanced manufacturing capabilities in Australia and Indonesia. For instance, collaboration on electric vehicles in components and precision engineering could demonstrate opportunities for other sectors, which will be explored as part of the manufacturing partnership. Promoting outcomes in advanced manufacturing will be incorporated into this activity, socialising partnerships and opportunities for other industries.

(vii) Co-contribution: Co-contribution will be sought from government and the private sector where trade and investment opportunities are complimentary. In-kind contributions from the private sector will also be sought for partnership events, studies and training events.

Rationale for the activity

Context analysis

There is significant potential for manufacturing in Indonesia, being a major potential source of jobs growth. In Australia, technological change is transforming the potential for manufacturing in advanced economies, with particular comparative advantage in innovation, project management, complex design and engineering.

The Indonesian government has made manufacturing a major priority and is looking for opportunities to enhance productivity and growth of the sector. Australian manufacturing is also entering a renewed period in niche sectors involving advanced skills.

IA-CEPA provides an opportunity to build on the transformation underway in manufacturing. The ECP can support relationships that have not existed in the past or are under-explored between Australia and Indonesian manufacturing industry. Greater trade and investment in manufacturing is important to both countries to support productivity improvements and enable value added manufacturing in Indonesia, and as a major potential export market for Australian manufacturers.

Manufacturers in both countries are interested in exploring opportunities. Indonesia is focused on addressing gaps that support the growth of manufacturing in Indonesia, such as intermediate goods and technical components that feed into large scale manufacturing plans. Australia is focused on identifying opportunities for high value manufactured goods, with priority given to existing demand to drive growth in the sector and jobs.

Indonesia remains committed to building a domestic manufacturing industry. Consequently trade and investment will need to be focused on areas that compliment Indonesia's priority sectors, enabling growth in their manufacturing sectors. This is feasible as Australia's manufacturing sector tends to be focused on high skilled components, technologies and advanced manufacturing, being an area of need in Indonesia. Both Australian and Indonesian firms will need to adapt and learn about their counterpart industries.

The suite of activities required to advance trade and investment in manufacturing between Australian and Indonesia are a combination of relationship building, industry partnership, continued progress in the opening of markets for trade and investment in manufacturing and sharing knowledge on respective sector capabilities.

Activity logic

Goal: To increase trade and investment between Australia and Indonesia in the advanced manufacturing sector.

Contributes to: ECP End of Program Outcome 2 – Better Integrated Markets.

Activity Objectives

- To explore opportunities to expand trade and investment across advanced manufacturing industries, to support jobs growth and productivity in Indonesia, and to ensure it is more inclusive of opportunities for women and people living with disabilities.
- To support Indonesia with its ambitions to produce electric cars for the domestic and international markets and to identify opportunities for Indonesian and Australian automotive component manufacturing, training, supporting infrastructure, and lithium battery technology and inputs.
- To support the alignment of advanced manufacturing standards and better understand conformance requirements.
- To identify opportunities based on Australia and Indonesia's comparative advantages to build supply chains to export to international markets (global supply chains - powerhouse model), expanding regional integration and Indonesia's value adding industries.

Intended outcomes

End of Activity Outcomes

- Support growth in manufacturing in Indonesia leading to large-scale employment.
- A standards ecosystem is implemented to support AMS.
- Stronger partnerships in the AMS between Australia and Indonesia.
- Increased women leadership in the AMS and a more inclusive sector.

Intermediate outcomes

- Greater knowledge of trade and investment opportunities between Indonesian and Australian manufacturers
- A strengthened and more cohesive standards ecosystem for AMS
- New partnerships between Australian and Indonesian industries in the advanced manufacturing sector, and critical minerals sectors, supporting value added industries and jobs growth.
- Increased participation of women and people living with disabilities in AMS
- Increased participation of SMEs in advanced manufacturing.

Immediate outcomes

- Increased dialogue, exchange and research being funded by joint-industry partners
- Increased knowledge and awareness of Australia's and Indonesia's capabilities in the advanced and critical minerals manufacturing sector.
- Greater knowledge of trade and investment opportunities including around EVs
- Increased participation by industry in Australian-Indonesian partnerships
- Increase in the number of women interested in the AMS

Activities and Outputs

- Establish the Indonesia-Australia Advanced Manufacturing Dialogue with AMGC, and other relevant partners, such as KADIN.
- Establish a dialogue between relevant Australian and Indonesian Ministries to discuss the short, medium and long term requirements for raw materials and components for electric vehicles, with a focus on understanding the respective role of each country in developing their side of the supply chain.
- Undertake stakeholder mapping and gap analysis.
- Awareness raising through road shows, fact sheets and promotional materials.
- Scoping study into component and precision engineering in the design of an electric vehicle and opportunities for Australia to support Indonesia.

- Research and analysis of opportunities to deliver mutual benefits in the advanced manufacturing sector involving a partnership between Australia and Indonesia.
- Scoping study on complementarities. This will include opportunities to increase women's participation in the sector.

KPIs

- Trade and investment flows
- Increase in partnerships in specific manufacturing and resources industries
- Closer alignment of standards and conformance

How the Activity will be implemented

This activity will be achieved through three streams of work:

1. Establishing the Indonesia-Australia Advanced Manufacturing Dialogue

A dialogue will be convened drawing together government, including Austrade, the Department of Industry, Science, Energy and Resources, the Coordinating Ministry for Maritime and Investment Affairs and BKPM, and Indonesian and Australian manufacturing sector. The dialogue will bring the private sector together to share experiences in manufacturing, identify needs and opportunities and navigate barriers to partnership, trade and investment. It is proposed that the Advanced Manufacturing Growth Centre (AMGC) be engaged to support the dialogue, given their existing networks and experience driving growth in advanced manufacturing. Indonesian Industry associations would also be engaged in the dialogue.

The dialogue will meet twice annually — once in Indonesia and once in Australia. Research and analysis, such as stakeholder mapping and gap analysis, across priority manufacturing sectors will be commissioned to support the dialogue.

2. Support investment in advanced manufacturing in electric vehicles

The Government of Indonesia identified the design and delivery of an electric vehicle as a priority for Indonesian manufacturing. This work is being delivered in partnership with the Japan, including Japanese car manufacturer, Toyota. As part of this work, Australian manufacturers have been identified as a potential source of essential components and precision engineering in the development of the electric vehicle.

The ECP will support partnership between the Indonesian Automotive sector and Australian advanced Manufacturers. This work will involve initial scoping of needs in the development of the electric vehicle, followed by connecting relevant manufacturers and exploring trade and investment opportunities. There may be opportunities in the supporting sectors – e.g. charging stations, training on maintenance of electric vehicles, renewable energy options

3. Building a standards and conformance ecosystem in manufacturing

Standards Australia will be engaged to update the 2015 Standards Report, developed and delivered in collaboration with BSN. Partners for enhancing integration of the manufacturing conformance infrastructure will also be identified and engaged. This work will involve overarching research, consultations, standards/conformance infrastructure mapping and capacity building to strengthen the standards and conformance ecosystem in Indonesia for advanced manufacturing.

Sector specific analysis will also be delivered in priority sectors, including electrical standards and nutraceuticals, being two industries identified in the earlier report has presenting major opportunities for alignment between Indonesia and Australia.

Gender equality and social inclusion

Fewer females are employed in manufacturing as other sectors in Indonesia, such as agriculture and services. However, given technological advances and rising skills amongst women in Indonesia, there is significant potential to increase female labour force participation in manufacturing in Indonesia at all levels. In some sectors of

manufacturing, such as textiles, clothing and footwear, women already represent a majority of workers.

This activity will support greater gender equality and social inclusion through the active engagement of women in manufacturing in the Indonesia-Australia Advanced Manufacturing dialogue and capacity building efforts in the standards and conformance ecosystem. The ECP will seek 50 percent female participation in the dialogue, including panellists and participants, and training.

The dialogue will give priority to manufacturing industries that currently or have the potential to be significant employers of women, such as food processing and nutraceuticals, where women are already significantly engaged although typically in very small businesses.

Work on the development of an electric vehicle involves engaging highly skilled professionals including in precision engineering. Again, this is a sector with low representation of women, including in Australia. The ECP will actively support women's participation in these activities.

ACTIVITY 4: CO-INVESTING IN SKILLS AND TRAINING

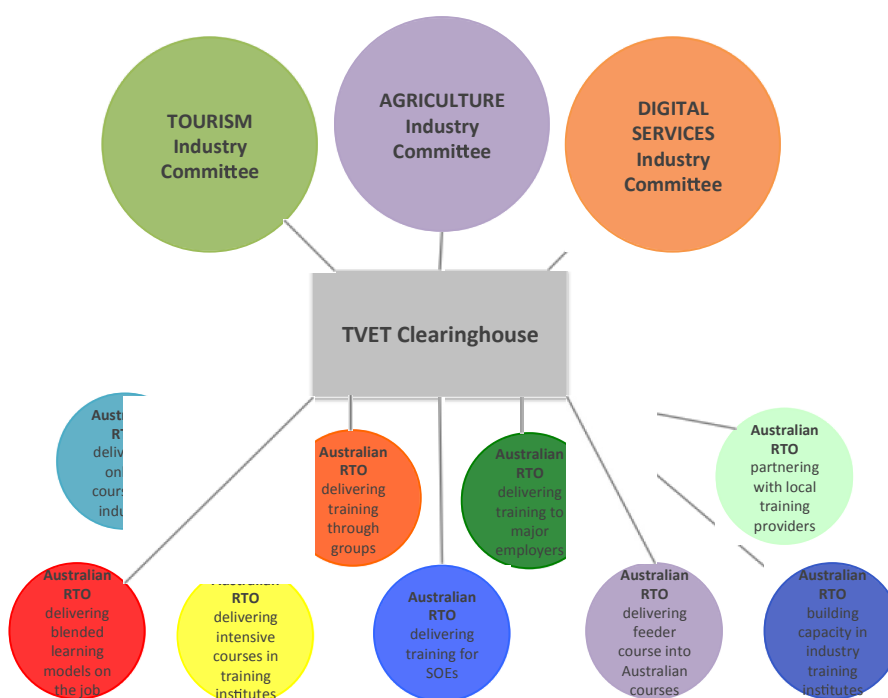
Activity in brief

The ECP will support greater partnership in technical vocational education and training (TVET) between Indonesian industry and Australian TVET providers. The activity will connect Indonesian employers to high quality skills and training, addressing a major constraint to growth and productivity in Indonesia. This activity will contribute to the goal of increasing productivity, competitiveness and innovation in Indonesia through skills development of the workforce, through the identification and development of industry demand-led, commercially sustainable skills and training opportunities.

Building human capital through skills and training is a priority of the Government of Indonesia and a major service industry for Australia. Indonesia’s recently announced pre-employment card provides a potential new funding source for quality TVET investment in Indonesia.

The ECP will convene Indonesian Industry Committees in the priority IA-CEPA sectors of tourism, agriculture and the digital economy (services), among others over time including the health sector and advanced manufacturing. The Industry Committees will consist of major employers in those priority sectors and existing industry bodies. The Industry Committees will identify major skills gaps in their sector, develop courses and identify new and innovative delivery models for training with the support of TVET experts funded by the ECP. The Industry Committees will ensure courses are demand driven and designed to meet the specific skills needs of Indonesian employers.

The ECP will also establish a TVET Clearinghouse. The Clearinghouse will facilitate procurement and partnership between Indonesian Industry and Australian RTOs, to meet the skills needs identified by the Indonesian Industry Committees. The TVET Clearinghouse will address the gap in information flows between Indonesian industry and Australian RTOs, build connections and partnerships between employers and RTOs, and support the delivery of commercially viable training programs by Australian RTOs to meet Indonesian industry needs. The TVET Clearinghouse will include representatives from the Australian Department of Education, Skills and Employment (DESE), Austrade and the Australia Awards to utilise existing networks and capabilities.



A range of training methods will be implemented including blended learning, train the trainer and online

education, depending on the needs identified by Indonesian industry and commercial viability of different delivery models. Delivery methods could include workplace-based training for major employers, online platforms, intensive-courses targeting unique skill sets in particular firms, and/or longer-term training programs delivered in partnership with local providers.

For instance:

- **In tourism** this may involve an existing Indonesian training institution with existing infrastructure in place (buildings and equipment), partnering with an Australian RTO in a multi-year partnership, delivering skill-based courses developed to meet industry needs. Opportunities to deliver training online, directly to employers and through industry partnerships with Australian employers and training institutes will also be explored with the Tourism Industry Committee.
- **In agriculture** there are opportunities to compliment the AgriFood Partnerships activity (see separate activity description) with targeted train the trainer programs. For instance, as part of the Grains Partnership, training is needed in the use of different quality grains to support Indonesia to add value along the food supply chain, for the domestic and export food market. These training programs could be delivered through existing training institutes linked to Indonesian mills.
- **In services**, Indonesia's high-growth digital platform businesses identified a need for not only digital literacy but also leadership and management skills. There is an opportunity to work with the industry to develop courses that meets these needs. For opportunities where online or blended online-offline delivery is suitable, there is potential to collaborate with Indonesian and Australian EdTech platforms for the delivery of online training, with high potential for intensive training (short-courses) in discrete technical areas, delivered in partnership with major employers and industry. Further opportunities in health services, social care services, construction and creative economy will be explored for future training and courses, subject to available resources, commercial opportunities and Industry engagement.

In future years, courses in advanced manufacturing, construction, creative economy and social services will be explored through the Industry Committee model. The opportunity to support government training, as a major employer, through partnerships with Australian RTOs will also be explored. Identified opportunities include working with existing training institutes, such as Local Government BLK UPTD and private LPKS, and/or the Ministry of Manpower's 21 Centres of Excellence (BLK UPTP). These training institutes and centres of excellence tend to have higher quality facilities and are relatively well resourced. Support for these institutions is needed in the areas of operational management, teacher training and overarching leadership of these institutions to improve performance and student outcomes. TAFE Directors Australia and the Independent Tertiary Education Council of Australia have expressed an interest in supporting organisational management and capacity building across these and other Indonesian led TVET providers, to strengthen Indonesia's TVET sector in the longer-term.

Example 1: Addressing the shortfall of skilled nurses through quality online training

Australian RTOs are increasingly skilled in delivering high quality skills and training via online courses. Capabilities are rapidly developing and achieving good educational and employment outcomes, including in high demand skill areas such as nursing.

Indonesia has a serious shortfall of qualified nurses, with an estimated 50 nurses per 100,000 of the population. The majority of nurses (60%) are educated to high school level only, 39% have a diploma and 1% are graduates.⁴⁴

Australian RTOs have expressed an interest in supporting Indonesian employers and local training institutes with quality training via digital content. This model can be delivered at a large scale and low cost to potentially thousands of Indonesian students and workers.

Where the Indonesian Industry Committees identify skills that Australian RTO's have digital training available, there is an opportunity to rollout courses rapidly and across a wide geography. The TVET Clearing House will support identification and facilitation of these partnerships, and work with the Indonesian Industry Committees to ensure the courses meet local industry requirements, are translated to Bahasa Indonesia, and have ongoing

⁴⁴ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1524804/>

support through the Australian RTO to ensure quality learning and employment outcomes.

This activity will focus on delivering the skills and training needed by industry, and potentially government over time. Courses will not necessarily focus on the attainment of particular qualifications, but rather meeting the specific skill sets identified by industry to quickly mobilise training and make an immediate impact on workplace productivity. This approach addresses the challenge faced by Australian RTOs in ensuring continuing compliance with Australian qualification requirements, while better targeting the specific skills needs of Indonesian industry.

All training will be designed with the goal of being commercially viable over time, ensuring sustainability and ongoing support for meeting Indonesia's industry skill needs. Each Indonesian Industry Committee will identify the most appropriate and commercially feasible TVET delivery model, with the support of TVET and industry experts. Contributions to course costs will be sought from employers, employees and the government's new Kartu Prakerja program, to achieve longer-time commercial viability of quality skills and training in Indonesia. This is consistent with IA-CEPA's mutual interest goals and the ECP's requirement for co-contributions to the investment. The ECP will also look at mechanisms to incentivise new investment in skills and training, including by Australian TVET providers, where commercially viable opportunities are identified and supported by Industry.

Comprehensive monitoring and evaluation will be undertaken in each course to gather lessons and inform future TVET investments and sectoral reform efforts in Indonesia.

Increased participation of women and people living with disabilities will be encouraged across all sectors. A key issue holding back girls' participation in post school training is early marriage and pregnancy. Effective policies for improving women's access to training, their participation and leadership in the workforce must address these upstream factors, including through the school sector. Socio-economic disadvantage is also impacted by geographical disparities, especially in the eastern islands.

Building on Indonesia's advances in supporting the education and skills of women, the ECP will support a partnership between Australia's Chief Executive Women and the Indonesian Business Coalition for Women Empowerment. The partnership will support women in business in both countries, including exploring opportunities in the TVET sector and boosting female participation in TVET courses.

Example 2: Supporting GOI's new Kartu Prakerja with more quality courses

The Government of Indonesia has launched a major investment in skills and training of the workforce with a new pre-employment card. The card will provide funding to each individual seeking training to support employment. This is a major development for the TVET sector and presents an opportunity to fund new skills and training programs.

The implementation and rollout of Kartu Prakerja are currently being developed with plans to launch early in 2020. A current area needing to be addressed to ensure the effectiveness of the program is ensuring there are quality training courses available to recipients of the Kartu Prakerja. Addressing the shortfall of existing training programs that meet the specific needs of Industry is a priority.

This activity presents an opportunity to increase the number of courses in high demand areas of skills, alongside the commencement of Kartu Prakerja. This would complement the government's investment in skills, while supporting the goals of IA-CEPA, and improve the commercial viability of RTOs in Indonesia as new funding sources become available.

The challenge will be rapidly rolling out quality courses in Indonesia in time to support the Kartu Prakerja policy. The proposed TVET Clearing House can identify Australian RTOs able to meet Indonesian Industry needs quickly and working with industry could help increase the availability and quality of courses rapidly.

Period of funding and total funds requested

The proposed budget for this activity is \$8.9 million over 5 years (including \$1.25 million included for skills and training as part of the Grains Partnership). Indicative costs are provided in the table below. Additional co-funding or in-kind contributions will be sought from the Government of Indonesia, Indonesian employers and Australian RTOs.

	2020-21	2021-22	2022-23	2023-24	2024-25
\$m	1.1	1.9	2.1	1.3	1.3

*Note that the Agrifood Innovation Partnership includes a further \$1.25 million skills and training as part of the Grains Partnership (\$250,000 in 2021-22 and \$500,000 in 2022-23 and 2023-24)

Partner agency(s) or institution(s), branch and work group

The activity will involve working with the following partners, institutions and groups:

- **Indonesian Ministry of Manpower** is responsible for vocational training and will be a partner in this activity.
- **The Indonesian Ministry of Education and Culture** is responsible for education, including vocational schools and polytechnics, as well as policies and technical standards for non- formal courses and training, and will be a critical partner in developing and delivering the activity.
- **DFAT:** DFAT’s Governance and Human Development Branch will be engaged in the program design and implementation, coordinating with the Australian Department of Education, Skills and Employment.
- **Australian Department of Education, Skills and Employment:** The Department of Education and Training is responsible for policy and oversight of Australian RTOs. They also have a keen interest in the educational partnership with Indonesia and are committed to supporting this program.
- **Austrade:** The activity will coordinate activities with Austrade, particularly when developing Industry Committees and potential Australian partnerships. Austrade is a commercially focused agency that assists Australia businesses to grow their exports and international business, find international customers and business venture partners and attract productive FDI to Australia. Austrade’s primary role in implementation of the IA-CEPA will be assisting Australian businesses to maximise commercial opportunities created through the enhanced market access delivered through IA-CEPA, including in the TVET sector.
- **Australian Awards:** The Australian Awards successfully delivers a range of courses that could provide important lessons for this activity. Funding for any Australian Awards courses as part of the ECP will be separate from the existing Australia’s Award budget allocation.
- **Australia and Indonesia’s RTOs (public and private):** Australian RTOs (public and private) and Indonesian training institutes will partner in this activity, subject to the skills and training needs and delivery preferences identified by industry.
- **Industry:** The Indonesian Industry Committees will involve major employers, industry associations and peak bodies to utilise existing networks and avoid duplication. Examples of Indonesian industry associations and peak bodies are the Indonesian Services Dialogue, KADIN and the Indonesian Business Coalition for Women Empowerment. Australian industry and peak bodies may include Industry Reference Councils, the TAFE Directors and the Independent Tertiary Education Council of Australia.
- **Other donors:** The World Bank and GIZ are actively supporting TVET in Indonesia. This activity will coordinate efforts, where appropriate, with other donors to avoid duplication and ensure lessons are shared.

Activity assessment against investment criteria

INVESTMENT CRITERIA:

- (i) **Maximising the outcomes of IA-CEPA:** Investment restriction were reduced from 100% to 67% for Australian TVET providers as part of IA-CEPA. This activity is designed to support TVET providers and Indonesian industry to take advantage of that change.
- (ii) **Aligned to bilateral or regional Interests:** TVET is a major priority contained in IA-CEPA. Both Australian and Indonesia have an interest in improving skills, being critical to productivity and growth.
- (iii) **Mutually beneficial opportunities:** This activity will meet a priority need of the Indonesian Government for quality skills and training, while supporting growth opportunities for Australia's TVET sector.
- (iv) **Politically feasible and practical:** Skills and training is a priority of the Government of Indonesia who has announced a range of support for skills and made investment in human capital a priority for this term of government. The activity will provide a range of practical responses to boost training in coordination with industry.
- (v) **Reflect Australia and Indonesia's Comparative Advantages:** Australia has a high-quality and globally recognised TVET sector, with education services being one of Australia's largest exports. Indonesia has rapidly growing Industries providing significant demand for quality skills and training.
- (vi) **Prioritise catalytic outcomes:** By supporting the skills of Indonesia's labour market and demonstrating new TVET models, lessons will be available to strengthen Indonesia's own TVET sector, which will be critical to meeting their large skill requirement. By focusing on skills in priority sectors, this investment also supports productivity, competitiveness and innovation in those industries more generally.
- (viii) **Co-contribution:** The Government of Indonesia has committed to contributing to the ECP. Exact support is to be determined, but policies such as the pre-employment card provide new sources of funding for skills and training. Co-contribution will also be sought from employers, employees, the Government of Indonesia and TVET providers as part of the tender process for design and delivery of courses.

Context and rationale

McKinsey Global Institute (MGI) estimates that by 2030 Indonesia will need 113 million skilled workers, a significant increase in the 57 million skilled Indonesian workers available in 2016. To fill this skills gap, 3.7 million skilled workers are needed each year. Further, the skills required tend to reflect what is often referred to as "21st century skills", namely critical thinking, problem solving, creativity, etc. These skills are needed by the workforce and are not generally well addressed in traditional education and training in Indonesia. There is growing evidence that technical skills alone will not provide the workforce skills needed by all countries over the next two decades.

Skills are needed across all sectors. For instance, the Indonesia tourism industry currently employs 12.8 million people and is expected to grow to 15 million by 2024 (Program Strategies, Indonesia Ministry of Tourism and Creative Economy). In digital industries, Indonesia needs 9 million skilled workers by 2030.

To address this challenge the Government of Indonesia has made human capital, and TVET in particular, a priority of the government. In September 2016, the President of the Republic of Indonesia, Joko Widodo released a special decree on the revitalization of vocational education. Further, President Jokowi recently announced a new pre-employment card (kartu prakerja), which will allow people who lost their job to seek subsidised training for up-grading or re-skilling.

Indonesia currently provides TVET at 3 different levels: Training Centre (non-formal), SMK or Vocational High School (senior secondary) and Academy, Institute or Polytechnic (Higher Education). Currently there are:

- 14,097 vocational high schools, including 2,017 SMKs providing agribusiness and technology

programs; 2,111 SMKs providing tourism related programs; 1,515 SMKs providing health related programs, 6,529 providing technology and engineering programs; and 7,873 SMKs providing ITC related program.

- 211 Polytechnics (43 state owned and 168 private). 13 focus on agriculture; 6 focus on tourism; 40 focus on nursing; and 4 focus on manufacturing.
- 305 public vocational training centres (Balai Latihan Kerja - BLK), 21 of which are managed under the central government (Ministry of Manpower), and 284 of which are managed by local government. The number of private training centres is estimated at around 5000.
- 9,332 non-formal courses and training agencies are supervised by the Ministry of Education and Culture, providing 75 skills training areas. 1,416 of those agencies have been accredited by the National Accreditation Board for Non-Formal Education.
- BLK, SMK and many polytechnics and private training centres are widely considered as low quality, particularly by industry. A major criticism is that Indonesia's TVET graduates are not being equipped with the skills and competencies required by industries.

Curriculums are designed by government with minimum involvement from industries. Many TVET providers are run by government with assessment, monitoring, evaluation and certification also run or funded by government. Indonesia's TVET sectors are managed by four different ministries with limited coordination: Coordinating Ministry of Economy, Coordinating Ministry of Human Development and Culture, Ministry of Education and Culture; and Ministry of Manpower.

The Government of Indonesia is now in the process of formulating the National Strategy on TVET Development. The strategy, among others, will include the establishment of a National TVET Committee, consisting of representatives from the Coordinating Ministry of Economic Affairs, Coordinating Ministry of Human Development and Culture, Ministry of National Development Planning/BAPPENAS, Ministry of Education and Culture, Ministry of Manpower, Ministry of Industry and KADIN. The Committee will be led by the President or Vice President, and will act as a single oversight entity to manage TVET implementation in Indonesia. A number of development partners, such as the World Bank and GIZ are supporting these and other TVET related efforts.

The Indonesian government is also looking to Australia through IA-CEPA to support higher quality TVET, with Australia TVET institutions able to establish training institutions in Indonesia with Australian ownership up to 67%.

Priority areas identified for TVET reform by GOI, with various degrees of ambition, include:

- Consolidating TVET management and regulators under the National TVET Committee;
- Reducing government dominance in TVET management;
- Imposing a moratorium for new SMKs and closing down SMK's that fail to meet quality standards. This will also involve SMK curriculum reform.
- Encouraging and facilitating foreign TVET providers to establish and/or partner in the provision of quality training in Indonesia, working closely with industry.

The Australian Government is committed to delivering quality TVET with the launch of the VET International Engagement Strategy 2025. Minister Cash expressed: "By supporting international VET students in Australia and building the capacity of partner countries to develop training systems aligned with industry needs, we will open up market opportunities for Australian training providers while ensuring local employers can access the skilled workers they need, when they need them."⁴⁵

Activity logic

Goal: To increase productivity, competitiveness and innovation in Indonesia through skills development of the workforce.

Contributes to: ECP End of Program Outcome 3 – Enhanced Labour Market Skills

Objectives

- To identify skills gaps in priority industries through the Industry Committees.

⁴⁵ <https://ministers.employment.gov.au/cash/australia-takes-lead-training-and-skilling-global-workforce>

- To develop industry-driven delivery models through pilot partnerships.
- To train the Indonesian workforce in priority sectors, consistent with the needs identified by Indonesian industry;
- To scale up successful training programs and delivery models.
- To increasing the proportion of women completing skills and training courses.
- To facilitate partnerships between Australian and Indonesian TVET providers and Industry.
- Support Indonesia's TVET sector reform efforts, including through increased foreign investment in skills and training, and sharing information on certification models, to boost quality and availability of skilled workers.

Intended outcomes

End of Activity Outcomes

- Australian TVET providers are commercially active in the Indonesian TVET market, addressing the need for skilled workers in tourism, agriculture and digital services (amongst other sectors) increases.
- Successful TVET delivery models are scaled up based on **post training outcomes for training participants**
- The potential of different TVET models are demonstrated, measured by skills being applied at work and employment outcomes of trainees.
- Increasing foreign investment in Indonesian TVET.
- More women are completing TVET courses and participating in the labour force.

Intermediate outcomes

- Train the trainer courses are being delivered in priority sectors, including tourism, agriculture, the digital economy.
- Future opportunities in other sectors, including advanced manufacturing, healthcare industry and services, social care services, construction and creative industry are supported over time where Industry engagement and commercial opportunities are identified.
- A longer-term partnership is established between an Australian RTOs and the Indonesian tourism industry and/or Training centres.
- Indonesian workers are being trained to a high-quality level with industry-relevant skills in the priority industries of tourism, agriculture and digital services.
- Women are entering TVET courses at higher numbers.

Immediate outcomes

- Lessons are being gained from different TVET delivery models, informing broader structural reform and investment decisions.
- Industry committees are established and informing TVET models, courses and delivery models, including addressing gender equality and social inclusion.
- New TVET partnerships are formed between Australian and Indonesian industry and TVET sector.

Activities and Outputs

1. Establishment of Industry Committees (initially tourism, agrifood and digital economy).
2. Use the Industry Committees to identify skill needs and potential delivery models that are commercially viable over time.
3. Engage TVET experts in relevant industries to support training and course development, standards and delivery options.

4. Establish a TVET Clearinghouse to facilitate the procurement of RTOs to deliver industry led training courses.
5. Develop a system to monitor and evaluate delivery models for scale up, including application of skills acquired and improved employment outcomes.
6. Establish the partnership between Australian CEO Women and Indonesian Women in Leadership.
7. Based on dialogue with the women's partnership and groups representing peoples living with disability, develop a gender and social inclusion strategy to support TVET policy and structural reforms.
8. Engage with Indonesian TVET stakeholders, GIZ and the TVET donor coordination committee to share results of delivery models contribute to broader structural reform efforts, where relevant.

How the Activity will be implemented

The ECP will coordinate with DFAT, the Australian Department of Education and Austrade to deliver this activity, working with counterparts in Bappenas, the Ministry of Manpower and Indonesia Industry. The ECP's Skills team will engage TVET experts in relevant industries to support the establishment of Industry Committees, identification of skill needs, development of standards and innovative course delivery models. The ECP will also establish the TVET Clearinghouse to facilitate partnerships between Indonesian Industry and Australian RTOs, and support procurement of training needs identified by Indonesian industry from Australian RTOs.

A range of courses will be developed each year over the first three years, reflecting industry need and demands. The number of courses, students, workers, employers and partnerships that are anticipated to be trained, employed and/or established, will be informed by the initial phase of Industry Committee meetings. Clear targets in each of these areas will be established and incorporated into the outcomes framework for the activity within 6 months of the commencement of the ECP.

Monitoring, evaluation and learning will be embedded in the design of each course and informing future courses to that they are both scalable and commercially viable.

The activity includes funding for a new partnership between Australian Chief Executive Women and the Indonesian Business Coalition for Women Empowerment. The partnership will support women in business in both countries, including exploring opportunities in the TVET sector and boosting female participation in TVET courses. This activity will be delivered in partnership with DFAT's Investing in Women program.

Funding has also been budgeted to support engagement with the German and Indonesian partnership for TVET structural reform. ECP's contribution will be guided by the outcomes of the abovementioned courses and gaps identified in existing structural reform efforts being undertaken by the Government of Indonesian, where needed.

Gender equality and social inclusion

Gender equality and social inclusion is central to this activity. All piloted courses will require 50 percent female participation, including train the trainer and online learning platforms.

A dedicated partnership demonstrating the leadership and skills of women will also be funded as part of this activity. Indonesia has made significant advances investing in female education, however these skills are not translating in higher numbers of women entering and remaining in the workforce. The ECP will also support a partnership between Australia's Chief Executive Women and the Indonesian Business Coalition for Women Empowerment. The partnership will support a dialogue between Australia's Chief Executive Women and Indonesian Business Coalition for Women Empowerment (established with the support of DFAT's Investing in Women program), and support female leadership and increased enrolment of females in the TVET sector.

Bolstering the skills of women is one amongst many barriers to women seeking to enter the workforce, including in non-traditional sectors. These efforts must be complemented by interventions that support

access to finance, work placements, challenging gender norms and workplace gender equality measures that will enable women to contribute in a sustained way. Consequently, it will be important that this activity work with other programs and investments seeking to support women's economic empowerment.

ANNEX 7. SUMMARY OF LESSONS FROM DFAT'S EXISTING TRADE AND ECONOMIC COOPERATION PROGRAMS

- A 2016 review of Australia's support for trade facilitation programs by the Office of Development Effectiveness found that investments **have been effective in addressing capacity issues**, and **have the potential to make an impact to poverty reduction**, through programs like the Pacific Horticultural and Agricultural Market Access (PHAMA) and AANZFTA Economic Cooperation Program (AECSP).⁴⁶
- **The challenge is to establish causal attribution to the extent that outcomes can be quantified** and programs can be optimised to deliver maximum impact. Equally important is the need for **an integrated framework that applies to a trade facilitation investment**, which includes a technical and political economy analysis, design and program logic and a performance framework;
 - **Impact: inclusion of MEL directly related to IA-CEPA utilisation, economic impacts (i.e. trade creation vs. diversion) and broader impacts.**
- Trade facilitation interventions require **flexible approaches, because trade facilitation is a complex long-term process**. Lack of capacity, political and economic events, use of different approaches by different countries to address the same trade issues, mean flexibility in the implementation of a program designed to facilitate trade is essential. Capacity building and gender aspects can also take many years to develop and translate into practices and reformed attitudes;⁴⁷
 - **Impact:** ECP 'core business' to commence with a Needs Assessment on IA-CEPA implementation, and select from a range of modalities/tools to assist Indonesia, and a strong and sustained element of 'socialisation' of IA-CEPA outcomes over the life of the ECP. ECP will ensure flexibility in activity design, by removing multiple layers of governance and approvals, which has been a significant issue in other economic cooperation programs.
- **Adequate support to strengthen relevant institutions should complement capacity-building efforts**. A review of the AECSP found less short term individual capacity development activities were needed in preference for a **longer term programmatic approach** with stronger M&E;⁴⁸
 - **Impact:** ECP activities are structured around three End of Program Outcomes – with the Collaborative Hub to coordinate/shape up activities and provide consistent MEL, as well as a strong ECP 'narrative'.
- The most effective investments are **responsive to partner government priorities** (recognising that trade liberalisation is a complex political and technical process) and address capacity issues across a diverse range of areas;
 - **Impact:** Collaborative Hub will act as a Secretariat to the Economic Cooperation Committee under the IA-CEPA, providing briefings, analysis and recommendations based on ECP outcomes and priorities, as well as responding to activity requests.
- The most effective programs **complement and assist developing countries own efforts to boost economic growth**: political will, commitment and ownership by the partner government is critical to success. Partner governments need to be committed to introduce or continue reforms and ultimately support and sustain trade facilitation projects;
 - **Impact:** the Collaborative Hub will act as a secretariat to the IA-CEPA Economic Cooperation Committee, which has co-chairs from Australia and Indonesia. The Government of Indonesia's representative agency, Bappenas, will receive periodic ECP reports, including on utilisation, economic/trade and broader impacts of IA-CEPA. These will align with relevant Ministries KPIs incorporated into Indonesia's medium term development plan (RPJMN).
- Design and implementation of trade facilitation activities **requires strong support within the private sector**. Governments and the private sector need to work closely together to identify viable opportunities and address

⁴⁶ ODE evaluation of trade facilitation in Southeast Asia and the Pacific. ODE, April 2016.

⁴⁷ ODE evaluation of trade facilitation in Southeast Asia and the Pacific. ODE, April 2016.

⁴⁸ AANZFTA Economic Cooperation Support Program (AECSP) Assessment. FTA Joint Committee, July 2015.

barriers to trade. An AESCP review found that engaging industry is key to ensure the economic cooperation would enhance take-up of the trade agreement. This is particularly relevant to sanitary and phytosanitary (SPS) measures that can restrict market access;

- **Impact:** industry engagement is perhaps the most prominent defining feature of the ECP and its proposed activities. An industry engagement advisory group will work with the Collaborative Hub to increase awareness and engagement by industry (including MSMEs) over the life of the ECP.
- **Government to government approaches are critical** in maintaining political ownership and continuing economic engagement, while recognising the resource intensive nature of such engagement.
 - **Impact:** the ‘core business’ of the IA-CEPA will make available a range of tools for G2G exchange and technical assistance, following a Needs Assessment.
- **Coordination within bilateral, regional and global programs as well as across government bodies** (e.g. Australia Centre for International Agricultural Research (ACIAR), Department of Agriculture, Customs) is crucial to minimise overlap and maximise opportunities for effective cooperation.
 - **Impact:** the design of the Collaborative Hub specifically mandates engaging with existing DFAT investments in Indonesia, and other expert partners, to deliver specific sectoral activities.
- **Coordination with other donors and other areas of trade facilitation is also required** — recognising that the binding constraints to increasing trade and economic growth may be deficiencies in productive capacity and economic infrastructure. Specifically, **linkages between trade facilitation reforms, infrastructure development, and productive capacity** need to be strengthened.
 - **Impact:** the Collaborative Hub will utilise ‘shared services’ including access to expert trade/investment networks to ensure activities are non-duplicative, and aligned with ECP objectives.
- **Clear responsibilities for DFAT and implementing partners is vital** to ensure effective delivery of activities and relationships.
 - **Impact:** the design specifically includes a recommendation, including summary diagram, of roles and responsibilities for DFAT and the implementing partner.

ANNEX 8. NON-ODA FUNDS AND ECP

As outlined in the Executive Summary, the ECP will be a unique mechanism that includes potential for non-ODA co-contributions to support Australia and Indonesia's economic and commercial diplomacy agendas. The impact of ECP will be maximised through leveraging knowledge and non-ODA sources of finance. ECP also has the potential to support greater coherence and responsiveness for Australia's economic and commercial diplomacy agenda.

Design consultations revealed there is potential demand from Australian Government departments (e.g. Department of Agriculture, Industry), the Indonesian Government and Australian and Indonesian private sector entities to provide non-ODA funds to support IA-CEPA and ECP outcomes. Therefore:

- Non-ODA funding will be considered by the ECC on a case by case basis for their ability to deliver development outcomes, and must align with ECP's development context and overall objectives and align with the core priorities outlined at 'Guiding Principles'.
- The Collaborative Hub will maintain appropriate accounting and governance arrangements for the handling and acquittal of ODA and non-ODA funding that are implemented by the Hub.
- In other instances, partners may choose to provide matched or in-kind contributions directly to ECP partners – the Hub would ensure the funding aligns with ECP objectives.
- The Hub will also consider as part of activity proposals and the annual workplan process whether activities have potential for non-ODA elements.
- ECP activity proposals will need to explicitly address ODA eligibility, including whether the activity supports Indonesia's economic development as the primary objective, and furthering Australia and Indonesia public diplomacy and/ or economic interests or to provide a platform for high level policy engagement.
- Where an activity is deemed to be ODA-eligible, the Collaborative Hub will have responsibility for working with partner agencies and private sector stakeholders to ensure that activities are developed to comply with ODA eligibility requirements. This will avoid any breaches of the Public Governance, Performance and Accountability (PGPA) Act and ensure Post's departmental budget will not be required to cover projects assessed as non-compliant with ODA eligibility at the end of the financial year.
- In line with the implementation arrangements outlined in the design, the Hub would manage co-contributions from other agencies and the private sector through a record of understanding with the relevant co-contributor. Where a Head ROU exists, this will be supplemented with an activity schedule which form the basis of transfer of funds. Where ahead ROU does not exist, an Activity ROU will be used to enable the transfer of funds. The ROU would need to clearly articulate common goals, the expected development and commercial outcomes of the project, assign responsibility for activities and reporting requirements.
- The Hub may produce guidelines outlining ODA eligibility requirements.