

**Country Partnership Strategy
for the Republic of Indonesia
2012-2015**

Republic of Korea

August 2012

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I. Introduction

1. This Country Partnership Strategy (CPS) between Korea and Indonesia guides the direction of Korean ODA activities in Indonesia. It outlines 2012-2015 Korea-Indonesia partnership programs for social and economic developments of Indonesia. This document specifies cooperation strategies between Korea and Indonesia for achievement of Indonesia's development goal to become a modern industrialized country by 2025.
2. This partnership strategy paper aims to support the poverty reduction strategy and sustainable development of Indonesia in line with Indonesia's National Long-term Development Plan 2005-2025 (RPJPN), National Medium-term Development Plan 2010-2014 (RPJMN), and Master Plan for Acceleration and Expansion of Indonesia's Economic Development (MP3EI). It also lays out the framework for strengthening the bilateral relationship between Korea and Indonesia, in line with the spirit of the *Memorandum of Understanding for Partnership in Economic Cooperation* signed on 18 May 2011 as well as *Joint Declaration on Strategic Partnership to Promote Friendship and Cooperation in the 21st Century* signed on 4 December 2006 by leaders from the two countries. It will strengthen implementation of those declarations in line with activities through the Joint Committee on Economic Cooperation and the Working Level Task Force.
3. This strategy paper is prepared on the basis of mutual understanding and respect, and aims to enhance aid effectiveness by sharing Korea's development experience, relevant to Indonesia's development needs.
4. As a member of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), Korea faithfully reflected the standards and norms of international development and cooperation in the CPS for Indonesia.
5. The CPS also aims to enhance aid effectiveness and combat fragmentation of assistance. At the domestic level in Korea, stronger bond is to be formed through various modalities, including but not limited to grant aids and concessional loans. Internationally, cooperation with other development partner countries is to be expanded.
6. The CPS will clearly delineate the role of Korea's ODA to Indonesia and how it should contribute to systematic and consistent delivery of aid. For timely incorporation of internal and external changes of Indonesia, the CPS will be continuously revised and updated through mutual discussion and agreement between Korea and Indonesia.

II. Korea's Development Cooperation in the Past (2006-2010)

7. In total, approximately US\$414.2 million (US\$309.9 million in concessional loans and US\$104.3 million in grants by commitment) has been allocated to Indonesia for the period of 2006 to 2010 (annual average of US\$83 million).

8. Compared to Korea's ODA to Indonesia in 2006 (US\$77.0 million), ODA in 2010 was doubled (US\$158.4 million) reflecting its importance in development cooperation between the two countries.

<Korea's ODA to Indonesia: 2006-2010 >

(US\$ million)

Year	2006	2007	2008	2009	2010	Total
Loans	53.0	-	58.9	58.0	140.0	309.9
Grants	24.0	24.1	21.2	16.6	18.4	104.3
Total	70.7	24.1	80.1	74.6	158.4	414.2

* Source : OECD Statistics

** By commitment

9. In total, EDCF and KOICA supported 27 projects between 2006 to 2010.

<Types of development cooperation>

(US\$ million)

Types	Projects	Trainee Invitation	Volunteers	F/S	Others
Loans (EDCF)	309.9 (8 projects)	-	-	-	-
Grants (KOICA)	39.3 (19 projects)	4.4	12.0	4.9	6.7

10. The water and sanitation sector was a top-priority (accounting for 25.2% of total ODA), followed by transportation (19.3%), governance (15.1%), health (14.4%), and ICT (8.4%) sectors.

<ODA Supports by Sector>

(US\$ million)

Sectors	Transport	Education	Water/ Sanitation	Health	Energy	Govern-ance	ICT	Others	Total
Amount	80.0	14.4	104.6	59.8	13.9	62.5	34.8	44.2	414.2
%	19.3	3.5	25.2	14.4	3.3	15.1	8.4	10.8	100.0

* Source : OECD Statistics

** By commitment

11. Java region (which includes the capital city of Jakarta) received the greatest amount of ODA supports from Korea with 36%, and Sumatra was the second largest recipient with 30% of total ODA.

III. Korea's Partnership Strategy for Indonesia

A. Basic Direction

12. This partnership strategy aims to support Indonesia's efforts for balanced development, poverty reduction and social integration in line with National Long-Term Development Plan 2005-2025 (RPJPN), National Medium-Term Development Plan (RPJMN 2010-2014) and Master Plan for the Acceleration and Expansion of Indonesia's Economic Development (MP3EI). The CPS also aims to strengthen the bilateral relationship between Korea and Indonesia by furthering mutual friendship and cooperation.

13. Indonesia is one of the most significant partner countries in development cooperation for Korea. Korea's development partnership strategy will aim to strengthen foundations for Indonesia to achieve sustainable growth and to successfully transform into a modern industrialized country.

14. In particular, in consideration of aid coordination as well as Indonesia's development needs and Korea's strengths, Korea prioritizes three cooperation areas, for which about 70% of the support will be allocated. The priority areas are:

- ① Enhance transparency and effectiveness of government: Enhancement of Governance
- ② Expand infrastructure for balanced regional development: Economic Infrastructure
- ③ Ensure sustainable development: Management of Natural Resources for Sustainable Development

15. With such priorities, Korea and Indonesia will pursue five values - ownership, efficiency, sustainability, alignment, and harmonization – in implementing the strategy to enhance aid effectiveness. This CPS for Indonesia also reflects international standards such as MDGs, the Paris Declaration, DAC Recommendations and Busan Outcome Documents: Partnership for Effective Development Cooperation, etc. The CPS also respects the Jakarta Commitment : Aid for Development Effectiveness Indonesia's Road Map to 2014.

RPJPN 2005-2025, RPJMN 2010-2014, MP3EI

INDONESIA THAT IS SELF-RELIANT, ADVANCED, JUST, AND PROSPEROUS
(To realize the average economic growth rate in the range of 6.3-6.8% during 2010-2014)

Strategic Objectives of CPS

To support development plans of Indonesia through cooperation plan 2012-2015



- To contribute sustainable /balanced development and poverty reduction
- To promote cooperation between two countries

Priority Areas of Partnership

Enhancement of Governance

- Administration Reformation
- E-government
- Capacity-building for public officers

Economic Infrastructure

- Transportation
- Energy
- Agro-industries

Management of Natural Resources

- Water Resources
- Forest Protection

Principles for aid effectiveness

Efficiency

- Predictability
- Choice and Focus
- Alignment among projects

Sustainability

- Management after completion
- Performance Assessment
- Monitoring

Harmonization /Alignment

- Cooperation with Development Partners
- Using Indonesian systems
- Program Aid/ Program-based Approach

Ownership

- Capacity building

Foundation Documents for CPS

MDGs, Paris Declaration, DAC Recommendations, ODA Improvement Plan of Korea Busan Outcome Documents, Jakarta Commitment

B. Priority Areas of Partnership

Priority Area 1. Enhancement of Governance

◆ Goal and Korea's contribution

To improve governance efficiency and transparency by supporting government reform and strengthening e-government infrastructure and related capacity-building

16. Reforming the government system and administrative structure is one of the most important agendas of RPJMN 2010-2014. Korea aims to contribute to improving government system efficiencies and administrative capacities by establishing an e-government system and training personnel. The main programs for such goals are as follows:

1-1. Administrative Reforms

17. Policy Advisory Services will be provided in accord with Indonesia's reform agendas such as supervision and assessment mechanism of performance-based budget system and development of financial supervisory systems. In addition, strengthening of the human resources for government reform will be undertaken by dispatch of experts and invitation for training in using the grant programs such as KSP and KOICA's aid programs.

1-2. E-government Support

18. Succeeding various e-government projects of Indonesia, Korea will support follow-up projects taking into consideration Indonesia's needs for nation-wide system integration and connectivity among central and local governments. To strengthen the foundation of e-government, Korea will support projects such as establishment of master plans for nation-wide system integration and standardization of work process for accelerating e-government. Based on such foundations, model projects at the ministerial level or local governments may be supported through grant programs. Thereafter, effective model projects will be supported on a larger scale through other financing modalities

1-3. IT Capacity Building of Government Officials

19. Korea will support policy development for public officials' empowerment. In addition, education programs promoting IT capacities of government officials will be provided through the edu-infrastructure already built with the finance of KOICA and EDCF. Korea will also support capacity development for the information and communication institutions. In order to train human resources for planning and operating IT system, experts will be dispatched and training sessions will be organized.

Priority Area 2. Economic Infrastructure

◆ Goal and Korea's contribution

To strengthen the foundation for sustainable economic development such as economic integration, balanced regional development and promotion of international trade by supporting economic infrastructure and related capacity-building

20. Korea aims to establish a foundation for sustainable economic growth by improving economical infrastructure. Sustainable economic growth means economic integration, balanced regional development and promotion of international trade. The details of the contributions are as follows:

2-1. Expansion of Roadway Infrastructure

21. By 2015, Korea will support large-scale projects such as roads and bridge of over 40km in areas whether such projects would have great economic impacts. Especially considering connectivity with existing projects, the priority will be given in the areas of Java, Sumatra and Sulawesi. Korea will also support projects connecting to airports and harbors.

2-2. Development of Energy Infrastructure and Renewable Energy

22. Korea will support the construction of power plants and improve power distribution systems in vulnerable and isolated areas to help increase power distribution rates. In addition, Korea will assist to make a development strategy and support pilot projects involving renewable energies such as solar, small hydro-power, wind and biomass. In the field of renewable energy, joint studies and technical cooperation between the two countries will be promoted.

2-3. Research of Transport Development in Special Economic District

23. For special economic district having high potential for development, especially in Jakarta and the main megalopolis, Korea will assist to make master plans, feasibility studies and detail designs on transport infrastructure. In addition, Korea will also assist efforts to strengthen transportation information management capacities by establishing institutions and intelligent transportation systems.

2-4. Development of Infrastructure to Increase Agricultural Production and to Promote Agro-industries

24. Korea will assist efforts to build agricultural infrastructures, provide advanced farm equipment, and transfer relevant technology to areas with large-scale farmlands. PPP projects in the agro-industrial field will be supported.

Priority Area 3. Management of Natural Resources for Sustainable Development

◆ Goal and Korea's contribution

To ensure sustainable growth and development quality by supporting environmental conservation and promoting green industries

25. Korea aims to assist Indonesia improve the quality of growth through the promotion of green industries and environmental protection by providing environmental policy advisory services and technical assistance. The details of contribution are as follows:

3-1. Management and Protection of Water Resources

26. Multipurpose dams and drain canals are efficient strategies for prevention of flooding and water shortages in cities. Korea will assist efforts to construct water & sewage management systems and facilities, especially in downtown areas. Korea will also support comprehensive research and restoration programs to mitigate and control river pollution while implementing pilot projects for river restoration and establishment of river management information systems. Projects related to recycling sewage water will be prioritized to alleviate water shortages in cities.

3-2. Management and Protection of Forestry Resources

27. Korea will support master plans and pilot projects for environmentally-friendly operation and management of national forest parks. Korea will provide policy advisory services, assistance for system improvement, help establish a forest information system, and contribute to forest restoration projects. Korea will also assist projects aimed at coping with climate change. Joint studies in the field of green technologies for forest management will also be promoted.

Priority Areas for Partnership

	Indonesia Goals & Targets	Korean Contributions
1. Enhancement of Governance	<p>Efficiency and transparency of government system and administration</p> <ul style="list-style-type: none"> - Development of policies and public human resources for good governance - Improvement of e-government services of government institutions -Indonesia Information Society 2015 	<ul style="list-style-type: none"> -Comprehensive Policy advisory services for financing and budget -Technical assistance for establishment of e-government -Fundings, education and operation for e-government -ICT training support for government officials
2. Economic Infrastructure	<p>Economic integration, balanced development and brisk trading</p> <ul style="list-style-type: none"> -Improvement of transport infrastructures for major economic corridors in MP3EI 2011-2025 -Power production /year : 3,000MW by 2014 -Electrification ratio: 80% by 2014 -Increased use of renewable energy 	<ul style="list-style-type: none"> -Advisory services for implementation of MP3EI -Support the large-scale projects with more than \$100 million dollars -Development of special economic areas & master plan and capacity building for the transport systems for major cities -Providing energy supply in underdeveloped area and development of renewable energy projects -Development of infrastructures in the agricultural sector
3. Management of Natural Resources for Sustainable Development	<p>Improved quality of growth through effective management of natural resources and development of green industries</p> <ul style="list-style-type: none"> -Water resource management system -Forest greenification 	<ul style="list-style-type: none"> -Policy advisory for management of stream and studying control system -Technical cooperation for water improvement and forest conservation -Supporting fund, education and operation for projects (sewage disposal systems, river restoration, waterway improvement, forest restoration)

C. Other Areas of Partnership

28. In this part, the cooperation guidelines will be roughly suggested for other areas such as health and education, which are not designated priority areas, but important foundations for achievement of MDGs. Projects in this field will be selectively identified through ODA policy dialogue and other channels. Projects serving Indonesia's developmental needs and having high potential for development effectiveness will be supported.

Health

29. For the health and medical services sector, Korea will focus on capacity building of human resources and improvement of health management mainly through technical assistance, training and exchange of experts. Efforts will be targeted to supporting sustainability of previous EDCF projects and to benefiting relatively vulnerable regions.

Education

30. In regards to education, Korea will focus on capacity building of human resources and improvement of policy frameworks mainly through policy advisory services, training and exchange of experts. Regional cooperation among ASEAN countries in this field will be linked to Korea's ODA programs.

Science Technology

31. In the field of industry and scientific technology, Korea will discuss several programs on developing science technology clusters in Indonesia and promoting technical cooperation between the two countries in many fields such as space and aeronautical science.

D. Training and Technical Assistance

Training by Invitation

32. On average, approximately 100 people would be invited for annual training programs in connection with the priority areas of this CPS. In order to improve the quality of training, multi-year training programs will be introduced, along with the diversification of long-term degree courses and increases in training cost per capita. In addition, pilot institutions will be selected and for these selected institutions, a comprehensive and long-term training plan and support will be provide.

33. To continuously improve upon Korean training program, a network among Korean training institutions will be made and capacity-building of those institutions will be encouraged through regular assessment of their performance.

Dispatch of Experts and Volunteers

34. ***Experts*** Experts will be dispatched to ensure the sustainability of completed projects. With a focus on the main areas of cooperation, experts from Korean research institutes will be dispatched to strengthen cooperation with the relevant Indonesian authorities and research institutes as well as to participate in sectoral meetings in Indonesia. Basically, experts will be dispatched in consideration of demand in Indonesia and the domestic research institutes. Long-term dispatch schemes over six months will be increased.

35. ***Volunteers(World Friends Korea)*** Volunteers will be dispatched to support implementation of the programs, particularly in the main areas of cooperation. Additionally, the number of volunteers for areas with surging local demand for services such as Korean language education and IT training, will increase.

Approximately, 80 volunteers to be dispatched annually. With expansion of bilateral economic cooperation and the Korean Wave, the number of volunteers will be increased to around 100. In accordance with demand and trends in Indonesia, volunteers will be dispatched to the fields of education, info-communication, community development, and environment.

Development Research and Policy Advisory Services

36. Assistance in the form of consulting such as development research and policy advisory services will be increased for capacity building in Indonesia. Development research from which specific projects can be identified will be prioritized. Joint research with other development partner countries will also be increased. Institutions in Indonesia will be encouraged to take part in these research programs for capacity building.

37. Policy advisory services will be provided in order to identify the effective implementation plan of the MP3EI. These services will be programmed to be followed by aid

projects and post-evaluation on these services will be done.

E. Cross-cutting issues

38. Korea's ODA program will try to reflect cross-cutting issues such as environment and gender equality issues throughout the entire program process starting from the formulation of programs at the early stage to the final evaluation.

Environment

39. Proper Environmental Impact Assessment (EIA)s should be carried out for priority programs and projects greatly influencing the environment. Carrying out EIAs will enable to obtain data related to ecosystems and environmental index. In addition, environmental impact reduction plans should be prepared based on collected data.

Gender mainstreaming

40. With the DAC evaluation criteria of relevance, efficiency, effectiveness, impact, sustainability, gender mainstreaming should be added as the criteria for evaluation. It is recommended to set up project schedules and evaluation plans for each stage with detailed performance indicators and targets with respect to gender.

41. In order to raise women participation, job creation and capacity building for women should be considered and supported, at the early stage of formulating priority programs.

IV. Strategy Implementation

A. Budget Allocation¹ and Organization

42. At least 70% of Korea's ODA will be allocated for the priority areas of development cooperation. Flexibility on commitments will be allowed to accommodate an urgent change in demand or conditions of the Indonesian side. At the mid-term review (2013), the proportion of the budget allocated to main areas can be discussed and re-arranged.

43. Field staffs in local offices will be increased in order to improve efficiency in managing ODA for Indonesia. Field-oriented ODA will be pursued. A joint ODA consultation body will be formed for participation by ODA agencies (loans and grants), NGOs, and companies.

Allocation of Funds

Category		Grant	Loan Approval
Priority Areas	Enhancement of Governance	20%	70%
	Economic Infrastructure	30%	
	Sustainable Development	20%	
Other Areas		30%	30%
Total		100%	100%

B. Measures to Improve Aid Effectiveness through Strengthened Linkages

44. Strengthening links among loans and grants can create synergy. From the stage of policy dialogue and project selection, Korea will explore possibilities for such links with the Indonesian government. With regard to priority areas for development cooperation, relevant Korean government aid agencies will form an alliance to discuss and develop strategies with the Indonesia development agency (BAPPENAS) and other relevant institutions in Indonesia.

45. In order to ensure strengthening of post-project management, the results of completed projects, especially those in priority areas, will be jointly reviewed with Indonesia. Comprehensive follow-up measures will be developed. The primary concern will be to ensure the independence and self-reliance of local management.

¹ Korea committed EDCF funds up to 600 million US dollars for the period from the year 2010 to the year 2013 through 『Framework Agreement concerning EDCF(2010-2013)』 signed by the two governments on December 27, 2010.

C. Strategy for Cooperation with Other Development Partners

Strategy for Cooperation with Indonesia and Other Development Partners

46. ***Alignment of aid*** Korea will align aid with Indonesia's national development strategy and sectoral plans. Focusing on the main mid-term budget of Indonesia, Korea will enhance the long-term prediction and use the financial management system and public procurement system of Indonesia.

47. ***Harmonization of aid*** Improving the system and carrying out demonstration projects allows a more Program-based approach (PBA). For aid harmonization, joint field studies or research with key development partners will be actively pursued, along with participation in partnership groups regarding priority field programs such as ICT, governance, environment, water resources, transportation and energy. To enhance cooperation with other development partners, employment of local experts will increase and staff specializing in each priority field, will be allocated.

NGO and Inter-corporate Network

48. To better promote corporate social responsibility and ODA, a web site will be established to aggregate and share information not only on government ODA activities in Indonesia, but also those of NGOs and businesses. Specialists will be fostered in line with the capacity building of government agencies, universities and research institutes, NGOs, and businesses involved in ODA activities.

PPP Projects and Export Finance

49. By 2013, pilot projects based on Public-Private Partnerships (PPP) will be developed and scaled up after having good results from pilot projects. Considering policies and practices in Indonesia, ODA will be used as catalyst of PPP to finance projects which are directly linked to those PPP projects. In addition, the alignment of ODA to export credits will be eagerly pursued. Through the Public Finance Institution Forum (PFI Forum*), exchange of information and cooperation among public finance institutions will be developed and enhanced to support PPP projects.

* This forum was officially launched in the first half of 2012.

South-South Cooperation and Triangular Cooperation

50. Indonesia, as a middle income country rapidly transforming into a modern industrialized country, seeks to share its experiences and capacities with other developing and less developed countries. In this context, Korea will support Indonesia's efforts to enhance its roles in South-South Cooperation and Triangular Cooperation.

V. Monitoring and Evaluation

A. Monitoring

51. A comprehensive monitoring system to manage ODA activities in Indonesia will be established, with a risk matrix for each main area that enables effective response in the case of domestic/foreign environmental change. When necessary, strategies will be revised accordingly.

52. In the future, local offices will be responsible for real-time monitoring of projects and participation in bilateral dialogue with Indonesia as well as related Indonesia's development partner forum to detect any possible risks in time.

B. Evaluation

53. Performance assessments, post-project evaluations and thematic evaluations will be carried out for projects. To increase participation from the Indonesian side, a pilot joint evaluation will be carried out with Indonesia in 2013 with the aim of expanding it further in the future.

54. Through a mid-term review in 2014, we will revise our strategy if deemed necessary. In 2015, a joint body of relevant authorities will conduct a final evaluation six months before the expiration of the CPS, the results of which will influence the next CPS.

VI. Future Prospects and Visions for 2016-2020

55. Development cooperation between Korea and Indonesia is anticipated to evolve and diversify rapidly. To help achieve Indonesia's goals of becoming a modern industrialized country with a GDP per capita of USD 14,000-16,000 by 2025, the next Country Partnership Strategy will be discussed in 2015.

56. As Indonesia's industrial structure becomes more technologically-oriented, assistance will focus on systems improvement, cooperation in science and technology, specialized human resources development, and green growth.

57. Finally, to enhance development effectiveness and aid effectiveness, greater efforts will be made to observe international norms for development cooperation and increase cooperation among development partners.